





# Army aims broadside at Erbakan

By John Barham in Ankara

Turkey's powerful generals are today expected to issue their strongest warning yet to Mr Necmettin Erbakan, the Islamist prime minister, that he must respect the country's secularist system.

According to press reports, General Ismail Hakkı Karadağ, armed forces chief, will deliver a report at the National Security Council's regular monthly meeting, stating that Islamist extremists threaten the country's stability. He is also expected to demand that Mr Erbakan fully adhere to the constitution, imposed after the last military coup in 1980.

For more than a month, the gen-

erals have publicised their growing concern about Mr Erbakan through tough speeches and media interviews. The army sent a column of tanks through a small town near Ankara after its Islamist mayor made an anti-Israel speech and demanded the imposition of Islamic law.

These warnings recall ultimatums that preceded previous military coups. However, although the army has toppled three governments since 1960, few expect it to do so now. Neither do they expect Mr Erbakan's uneasy coalition with the secularist True Path party of Mr Tansu Çiller to collapse under military pressure. On Tuesday the government easily defeated

an opposition no-confidence motion in parliament.

Mr Erbakan has tried to ease tension with Turkey's secularist majority, but in a newspaper interview yesterday he hit out at the "fascist" secular system. He said: "If you do not let people live according to their beliefs, that is secularist fascism."

He underlined his government's legitimacy: "There is democracy in this country. Forget about tanks; look at the results of the election." His Refah party won 21 per cent of votes in elections in 1995 and forms the largest group in parliament.

Mr Recep Tayyip Erdoğan, Istanbul's influential Refah mayor, warned the army against pushing

the Islamists too far. In a reference to Algeria's civil war, he said: "If you pressure the people, we will see the same massacres as in various countries around the world."

However, the government has taken few important Islamist initiatives since taking office eight months ago. In January, during the Muslim holy month of Ramadan, Refah ministers began calling for innocuous but symbolic reforms that would strike at the secular state. They wanted a ban on Islamic headscarves for women civil servants to be lifted and mosques built in secularist strongholds of Ankara and Istanbul.

Suggestions like these, as well as attempts to strengthen ties with

Iran, prompted the military's fierce reaction and led to an upsurge in street demonstrations.

Turks have held regular nightly protests against government corruption and erosion of the secular state.

Islamists say the protests are being exploited by leftwing extremists and Kurdish separatists.

Newspapers yesterday said President Süleyman Demirel, twice removed from power by the army, had called on Mr Erbakan in a letter to respect secularism. Although Mr Demirel denied sending the letter, it reflected private briefings with editors. The letter concluded: "If you continue with this attitude the regime will be in danger."



Workers at Greece's culture ministry yesterday suspended a strike which has closed the Acropolis temples and other monuments in Athens including the Parthenon for more than two weeks. Kevin Hope reports from Athens. The walk-out ended when Socialist government officials said they would try to boost allowances for culture ministry workers in a law being drafted on the management of Greece's antiquities.

The workers threatened that if their demands were not met, they would keep the monuments closed over Easter, when charter flights carrying tour groups start to arrive. They want the restitution of a special Dr32,000 (\$120) monthly allowance paid out of receipts from entry tickets and sales of postcards and guidebooks. The allowance, which adds 20 per cent to the average salary, is being abolished under legislation to streamline civil service pay scales.

Mr Panayotis Stathopoulos, president of the federation of culture ministry unions, said: "We are the lowest paid workers in the Greek civil service, although we do some of the most significant jobs - protecting and conserving antiquities. The special allowance went some way towards covering the gap with other ministries."

## Italian stock exchange watchdog gets new chief

By Paul Bettis in Milan

The Italian government is expected today to appoint Mr Tommaso Padoa Schioppa chairman of the country's stock market watchdog, Consob. Mr Padoa Schioppa, deputy director general of the Bank of Italy, will replace Mr Enzo Berlanda, whose five-year mandate is ending.

He will be taking over at a time when Consob is being called on to play a central role in transforming and modernising the country's financial markets. This includes privatisation of the stock exchange council this year, the definition of stricter corporate governance rules, and a series of big industrial and financial self-calls, ranging from the Stet telecommunications company to large banking groups.

The Italian financial com-

munity has supported Mr Padoa Schioppa's nomination.

"He has worked more than anyone else to convince the banking system of the importance of the market," said Mr Francesco Cossiga, chairman of the stock exchange council. "He is an expert of great standing who also does not embrace bureaucratic ideas."

Mr Padoa Schioppa's move to Consob will accelerate the need for the Bank of Italy to find a new breed of top central bank managers to replace the old guard. His departure follows that of Mr Carlo Azeglio Ciampi, former governor and now treasury minister, and that of Mr Lamberto Dini, former director general who is now foreign minister.

From a technical standpoint, Mr Padoa Schioppa was one of the most respected members of the

central bank. But in recent years he was increasingly sidelined by Mr Antonio Fazio, the governor.

Close to Mr Ciampi, he had hoped to take over when Mr Ciampi became prime minister in 1993 but lost out to Mr Fazio. The following year, Mr Vincenzo Desario was chosen to replace Mr Dini in the number two position as director general.

His international experience will be an additional asset in his new role at a time when the Italian financial system and markets are adapting to increasing international competition.

From 1979 to 1983, Mr Padoa Schioppa was the European Commission's general manager for economic and financial affairs in Brussels before returning to the Bank of Italy.

European Stock Exchanges survey, separate section

## French economy rises 0.2% in final quarter

By David Buchanan in Paris

The French economy grew by 0.2 per cent in the final quarter of last year, the official Insee statistics agency reported, providing a modest base for faster expansion this year.

The estimate confounded many analysts' predictions that the French economy had ground to a halt in the fourth quarter, after gross domestic product growth in the previous quarter of 0.8 per cent (which the agency yesterday marked down from its original prediction of 0.9 per cent) and after a drop in the second quarter now put at 0.1, instead of 0.2 per cent initially.

However, the sharp fall-off in car sales, which declined by 15.7 per cent in the final quarter with the ending of a government subsidy to buyers of new vehicles, helped produce a 0.5 per cent fall in

consumption in October-December. This in turn largely accounted for the see-saw growth pattern last year.

The government predicts that growth will pick up from 1.3 per cent last year to "a minimum" of 2.3 per cent this year. This claim, if realised, should give it enough tax revenue to allow it to narrow the public deficit to 3 per cent of GDP and so qualify for European monetary union.

But this deficit also includes the shortfall in social security financing which, according to latest estimates, is likely to over-run by FF6bn (\$880m) the government's welfare deficit target of FF30bn.

Contrary to the widespread impression that the French are so worried about tax increases - and so depressed about their chronically high unemployment that they have stopped

spending, consumption was the economy's main motor in 1996. It increased by 2.3 per cent on average and contributed 1.4 percentage points to overall growth last year.

Despite this promising news from the marketplace, French companies still tended to shed stocks and to postpone new investment for most of last year.

However, the fourth quarter may have seen a turning point. Destocking, which Insee estimated had wiped 0.6 per cent off the 1996 growth rate, ended in early autumn and stocks rose in October-December. Likewise, company investment declined by 0.1 per cent in the fourth quarter, or less than the average 0.3 per cent fall for the year.

A year-end rise in imported capital goods was read as a good sign by Insee.

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**MINISTÉRIO DE MINAS E ENERGIA**  
Pre-qualification Calling for a Bid International Bld SUPOC N° 001/97

COMPANHIA VALE DO RIO DOCE, by means of the Superintendency of the Port of Ponta da Madeira, renders it public that it shall make, in accordance with the provisions of Law No. 8.666/93, of June 21, 1993, a calling for an international bid of the "Technique and Price" type, under the conditions known as full contract, with the purpose of hiring a company for the furnishing and assembly of a sieving plant for iron ore granulation, such a plant to have a design for an output of 3,000 (three thousand) tons per hour, working on a continuous basis for 24 hours, such a plant to be erected at the Port Complex of Ponta da Madeira, located at São Luís, in the State of Maranhão, in Brazil, the aforementioned furnishing and assembly of a plant comprising the following: the service of detail design, the manufacture, furnishing, civil works - the erection of workpieces - , assembly of the electromechanical portions of the works - erection of the electromechanical portion of the works - , the turning of the testing both on an idle basis - idle running-testing - and the load-type testing - the carrying out of the sub-unit of the plant with loads, for testing purposes - and the interconnection of the aforementioned sieving plant with the existing system. Term: 400 days.

The companies that shall be entitled to take part of the aforementioned bid shall be companies that shall meet the aforementioned requirements. The concerns that shall unite into consortiums shall comply with the provisions set out in the Brazilian law as far as this subject is concerned.

A) They shall have available a corporate paid-up capital duly registered at the Commercial Board of the State where the company shall have its headquarters located in, or they shall have a net worth equivalent to the amount of R\$ 1,300,000.00 (One million and three hundred thousand Reals).

B) They shall give evidence of the company's solvency, by showing a certificate or certificates made by public companies, either of partly-private and partly-public companies or companies of the private initiative, such companies to give evidence that they have already had under their technical responsibility, in Brazil or abroad, the furnishing or a design regarding the undermentioned:

- sieving systems for the classification of ores, with a capacity of at least 500 tons per hour.
- conveyor belts with a minimum capacity of 1,500 tons per hour.

The companies that shall participate in this calling for a bid, by means of license-giving companies or subsidiary companies, shall show along with the certificate referred to at letter b) hereinbefore, the documents that shall evidence the license-giving conditions or the existence of subsidiary set out herein.

The above-mentioned documents, or instruments that shall be equivalent to such documents, that shall originate from foreign companies must be translated into the Portuguese language and must be duly registered, stamped, acknowledged by the Brazilian consulate in their countries - must show evidence of having been "consularized".

The companies intending to participate of the above calling for a bid must show the evidencing documents mentioned hereinbefore at the Building of DEIMAQ (an acronym which stands for the Department of Supplies and Contracts) - Departamento de Suprimentos e Contratos - Av. dos Portugueses, N° 1.000 - at the location of Anjo da Guarda, in the city of São Luís, State of Maranhão, Brazil, up to 5:00 p.m. of the 20th of March, 1997. For further contacts the telephone number is (code for direct dialing purposes) (068) 218-4884 and 4887, and the fax is: (068) 218-4886.

The pre-qualified companies that have complied with the provisions set out in this calling for a bid shall be notified and shall have, at their disposal, the documents related to this calling for a bid, to be read by them and/or to be purchased, provided that the companies interested into such a purchase give evidence of having paid the amount of R\$ 500.00 (Five hundred Reals), such an amount to be paid at Banco do Brasil S.A. (the Bank of Brazil), at (Branch) Agência 0020-5, (Current account) Conta: 101.243-8, or at the Treasury Department of COMPANHIA VALE DO RIO DOCE, C.V.R.D.

COMPANHIA VALE DO RIO DOCE reserves to itself the right to revoke, cancel, suspend or to make null and void this calling for a bid at any time and at its exclusive criterion, and no rights, advantages, claims and/or indemnifications whatsoever may be claimed by any of the participants of the calling for a bid hereinbefore called.

Signed by Mathews Drummond Costa  
For the Sectorial Commission for Bidding (the so-called "Comissão Setorial de Licitação")  
São Luís, State of Maranhão.

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#### LEGAL NOTICES

No. 000725 OF 1996  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT  
IN THE MATTER OF WESTPORT GROUP PLC  
AND  
IN THE MATTER OF THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 29th January 1997 confirming the reduction of the capital of the above named Company from £14,800,000 divided into 500,000,000 Ordinary Shares of 1p each and 144,000,000 Deferred Shares of 1p each to £3,000,000 divided into 500,000,000 Ordinary Shares of 1p each and the reduction of its share premium account by £200,000 and the minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the Registrar of Companies on 21st February 1997.  
Dated this 26th day of February 1997  
Edge & Ellison  
18 Southampton Place  
London WC1A 2AJ  
Solicitors for the above-named Company

No. 000371 OF 1997  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT  
IN THE MATTER OF AUCITY LIMITED  
AND  
IN THE MATTER OF THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 19th February 1997 confirming the reduction of the capital of the above named Company from £1,650,100 to £980,100 and the minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the Registrar of Companies on 21st February 1997.  
Dated this 26th day of February 1997  
Rovine & Maw  
20 Black Friars Lane  
London EC4V 3ED  
Ref: 406  
Solicitors for the said Company

No. 000467 OF 1997  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT  
IN THE MATTER OF WELLS GROUP LIMITED  
AND  
IN THE MATTER OF THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 19th February 1997 confirming the reduction of the share premium account of the above named Company from £7,334,000 to £4,634,000 was registered by the Registrar of Companies on 21st February 1997.  
Dated this 26th day of February 1997  
Nabarro Matheson  
50 Stratton Street  
London W1X 0NX  
Ref: BANOCFR114003

#### Ministry of Defence Requirement for Future Heavy Equipment Transportation MOD Reference - CBLV1b/1003

The British Army currently owns, operates and maintains a range of vehicles to transport a variety of heavy equipment and armoured vehicles in operational and non-operational roles. The transporters being used include 115 tractor/trailer combinations dedicated mainly to carrying the Main Battle Tank and a further 103 smaller combinations to transport a variety of Armoured Fighting Vehicles. Due to the age of elements of the current transport fleet and changing EU legislation (affecting particularly the transport of heavy loads), the Ministry of Defence has a requirement to replace the transporter providing the Main Battle Tank lift capability from the year 2002. In doing so it is intended to take into account the capability for the transport of all heavy loads.

To this end the MOD is keen to explore innovative proposals in line with the objectives of the Government's Private Finance Initiative (PFI). Industry are being invited to offer value for money proposals to satisfy the requirement. Details of the overall transportation needs and tasks are contained in advertisements which have recently appeared in the Official Journal of the EEC and the MOD Contracts Bulletin. The object of this advert is to invite any Company which may be capable of satisfying the requirement through a PFI solution to indicate relevant experience and ability. Responses are required by 17 March 1997. Following initial analysis of the responses, in order to more fully explore the potential and enable the scope of the requirements to be clarified, the MOD may hold preliminary discussions. A Pre Qualification Questionnaire (PQQ) will be issued to selected companies defining the requirement in more detail and requesting outline proposals and indicative prices (without commitment to contract). An invitation to negotiate the terms and services proposed would then be issued to shortlisted companies prior to the Invitation to Tender (for Contract).

Ministry of Defence, Project Branch HLV(A)  
Yew 3A, Abbey Wood, Postal Point 36,  
PO Box 702, Bristol BS12 7DU  
Tel: 0117 91 31471 Fax: 0117 91 31912

# Drugs scandal hits US-Mexico trust

Reports suggest power of cartels is greater than admitted

By Leslie Crawford  
in Mexico City

When Gen Barry McCaffrey, US national drug policy director, invited Mexico's foreign minister to Washington last week, the main item on the agenda was a joint plan to eradicate drug trafficking along the 2,000-mile border.

The plan, which was to herald a new era of co-operation in the fight against drugs, never saw the light of day. Just before the minister, Mr José Angel Gurría, landed in Washington, the Mexican government announced its chief anti-narcotics official on charges of being in the pay of the country's most powerful drug cartel.

In the week since Gen Jesús Gutiérrez Rebollo's arrest, US and Mexican officials have tried to determine how much information was passed on to the Juárez cartel before the general was exposed as a double-agent. Days before he was detained, Gen Gutiérrez had travelled to Washington to be briefed by US officials.

The US Drug Enforcement Administration fears its undercover agents in Mexico may now be in danger. The detention of Gen Gutiérrez also points to a serious breakdown in US intelligence. Shortly after his appointment two months ago, Gen McCaffrey praised him as "a guy of absolute unquestioned integrity".

As the US administration prepares its annual verdict

on the performance of foreign governments in the fight against drugs, which it may announce today, Mexican diplomats say it may take years to rebuild the trust that has been shattered by the scandal.

Sharing drug-related intelligence has never been easy between Mexico and the US. US officials express frustration at the frequent changes in Mexico's security apparatus - Mexico has had six attorneys-general, and as many national drug policy directors, in five years.

Mexican officials admit that continuity has been a problem, but they have tried to limit the damage by seeking to portray Gen Gutiérrez as an isolated case of corruption.

A flood of reports in US and Mexican newspapers, however, appear to suggest that the power of drug cartels in Mexico is far greater than Mexican authorities would care to admit.

The most persistent allegation is one which links the family of the former president Carlos Salinas to the drug trade. More recently, the New York Times alleged that two state governors were protecting drug lords in their territories.

The Salinas family and the state governors have strongly denied the allegations against them, while the Mexican government has blamed the annual US certification process for the barrage of unfavourable reports.

The US administration is obliged by Congress every

year to make an assessment of the quality of other governments' efforts in the fight against drug trafficking and money laundering. Those that do not make the grade are decertified, bringing possible economic and trade sanctions.

Colombia was decertified last year for the first time. And, although the government in Bogotá has been highly critical of the procedure, it has introduced a large number of measures favoured by the US - plus a big lobbying effort - in a bid to regain its certification.

In the case of Mexico, the usual practice has been to certify the country as an ally in good standing, and in the immediate aftermath of Gen Gutiérrez's arrest there seemed little likelihood that this would change.

In the past few days, however, there has been growing pressure from Congress to change the current stance. Senator Dianne Feinstein, Democratic senator for California, wrote to President Bill Clinton that the evidence was now "overwhelming" that Mexico should be decertified.

Her position has since been endorsed by a growing number of Democrats and Republicans in both houses, raising the possibility that Congress could even seek to overturn any attempt by the White House to give Mexico a clean bill of health this time around.

Privately, many administration officials share her view, but feel there is little

room for manoeuvre: Mexico is regarded as far too important strategically and economically to subject to the economic sanctions that are legally required against decertified countries.

The White House may thus choose a compromise: Gen McCaffrey has admitted that one option is to decertify Mexico but attach a "national interest waiver" that would suspend the sanctions. Even this, however, may damage bilateral relations seriously enough to blight Mr Clinton's first visit as president to Latin America, scheduled to start in Mexico in April.

According to Mexican officials, it may also contaminate the broader relationship between the two countries. Mr Gurría maintained decertification "would not only affect drug-related themes, but have a very negative impact on all aspects of US-Mexican relations".

Moreover, even if the US administration tries to lessen the tension over the drugs issue, it may not be possible. Many of the recent press disclosures implicating senior Mexican political figures have come from testimony related to legal proceedings in the US. Those cases will have a momentum of their own, regardless of what position the administration takes.

Editorial comment, Page 13

Additional reporting by Mark Szuman in Washington and Stephen Fidler in London



In Colombia - decertified last year - police raid a suspected Cali drug trafficker's hide-out

## Fundraising claims hinder department

By Nancy Dunne  
in Washington

"You need to get to the bottom of this. It's awful," says a note scrawled by President Bill Clinton across the top of a memorandum about Democratic party fundraising. The word "awful" is underlined twice and the document is stamped with four heavy words in capital letters: "THE PRESIDENT HAS SEEN."

What the president saw which so enraged him was the promise in a Democratic party fundraising brochure that those who donated at least \$100,000 to the party would be rewarded not only by various meals with the president, but by an "annual trade mission".

Party officials insist only one such mission ever took place - to Paris, in 1994 - and it included no US government officials. They say 25 donors met the ambassador to France, the late Pamela Harriman, but did not meet foreign officials.

Still, in the current Washington political climate, the appearance of impropriety on its own is enough to trigger another round of charges that the Democratic party rewarded donors with places on trade missions. These charges have left the Department of Commerce at the centre of a political maelstrom which is seriously burdening its staff and hampering its bread-and-butter work of export promotion.

"It's become brutal. We're working 10 hours a day, and weekends. This is mind-numbing," says an official charged with meeting requests for tens of thousands of pages of documents relating to past trade missions. "What's it costing? You can't calculate the man-hours," says another.

Since the fundraising scandal broke at the end of the last year - and especially since Mr John Huang, a former Commerce Department official became a central figure - the department has been inundated with requests under the Freedom of Information Act.

Mr Huang was a political appointee in the department's international trade administration in 1994, where officials say he had no policy role. He is accused of maintaining improperly close ties with his former employers in the Indonesian Lippo group. He then moved to the Democratic National Committee to raise money from the Asian-American community. Some contributions he raised had to be returned because they were suspected of coming from non-US citizens, which is illegal.

Under the Freedom of Information Act, journalists and citizens' action groups can pursue Mr Huang's trail, and broader allegations that trade policy was influenced by campaign contributions, through Commerce Department documents. The department has had to provide documents, memoranda, phone logs, electronic mail and briefing books.

Journalists, congressional investigators and a federal grand jury investigating the department's role have demanded access to almost all the personal papers of Ron Brown, the commerce secretary who died last year in an air crash, and records of his trade missions.

Commerce was once the star performer of the Clinton

Allegations of campaign finance abuses by President Bill Clinton have yet to provoke a sustained outcry from the American public, according to an opinion poll released in the wake of this week's disclosures about White House perks offered to large donors, Patti Waldmeir reports from Washington.

A USA Today/CNN/Gallup poll found 45 per cent of those surveyed said they did not care whether Mr Clinton invited Democratic party contributors to spend the night in the White House.

Some 42 per cent said they believed he was wrong to do so, but 53 per cent said the issue was not relevant to his character or ability to serve as president. Nearly two thirds said his behaviour was typical of recent presidents; only 22 per cent believed it was unusual.

Since the furor over campaign finance abuses erupted just before the November election, opinion polls have consistently shown that while the public expresses sometimes strong disapproval of common funding practices, few believe anything can be done to change the system.

Public indifference undermines the effort to reform campaign finance laws in Congress. So far, the effort is being driven largely by the media, by democracy activists and by a minority of congressmen. Congress may conclude in the end that it has a greater vested interest in maintaining the system unchanged.

administration. Mr Brown earned kudos from business leaders by leading high-profile trade missions around the world, dispensing millions of dollars in company grants and restructuring the department for a concerted drive to help US companies win contracts abroad. The same fervour is now fueling the drive to release documents which officials believe will clear the department of charges of impropriety.

Mr Brown, a former head of the Democratic National Committee, did not divest himself of his political past. Records disclosed under the Freedom of Information Act have produced a handful of letters to Commerce officials requesting a place on trade missions for people who had political ties or were campaign donors.

One such letter asked for - and won - the inclusion of Mr William Ginsberg, chief executive officer of Cellular Communications, on a trade mission to India. After citing Mr Ginsberg's "utmost ability and integrity", the letter noted that he was "an early financial supporter of the Clinton/Gore campaign and a very generous donor to the party's 1992 election effort".

The fact that some companies also made donations after trade trips has led to allegations that Commerce officials asked for contributions as pay-offs, though there is no hard evidence yet of such behaviour.

The search for proof has left the international trade administration in turmoil. "The [Freedom of Information requests] are coming in every day, with more and more questions. We have to go through the files looking for every mention of every company. It's like looking for needles in haystacks," says one official.

Editorial comment, Page 13

### AMERICAN NEWS DIGEST

## SEC lodges bribes charges

The US Securities and Exchange Commission has filed a civil action against Triton Energy Corporation and two former senior officers of its subsidiary, Triton Indonesia, for authorising "numerous improper payments" to a business agent acting as an intermediary between Triton Indonesia and Indonesian government agencies.

The case, filed in a US District Court, charges that in 1989 and 1990 Mr Philip Keever and Mr Richard McAdoo authorised the payments to Mr Roland Siouffi "knowing or recklessly disregarding the high probability that Siouffi either had or would pass such payments along to Indonesian government employees..." It also alleges that Triton recorded these payments with false entries.

Triton has agreed to pay a \$300,000 penalty and Mr Keever a \$50,000 penalty, without admitting or denying allegations.

Triton Indonesia became the operator of an oil and gas recovery project on the island of Sumatra as part of a joint venture in 1988 and had to pay Indonesia's national oil company for the use of the pipeline. The payments were allegedly part of an effort to obtain a favourable judgment on tax refunds on these payments, according to SEC documents.

Tracy Corrigan, New York

## IRS counts costs of 2000

It will cost the US Internal Revenue Service at least \$129m to reprogramme its computers so they will recognise the year 2000, a senior IRS official says.

Mr Arthur Gross, assistant IRS commissioner in charge of technology, expressed optimism yesterday that the agency would reprogramme its core computer systems by 2000. "This is absolutely the highest priority for the IRS," Mr Gross said before he testifies to the National Commission on Restructuring the IRS.

The issue is especially sensitive for the IRS, which is under fire in Congress for spending \$4bn on a computer modernisation programme that still has not achieved key goals.

AP, Washington

## Haiti wants money back

Haiti is trying to recover what officials allege are "hundreds of millions of dollars" taken out of the country by members of the family of former President Jean-Claude Duvalier and several of his cabinet ministers. Mr Duvalier, his family and some ministers fled the country in early 1986 after months of popular street protests toppled the 29-year family dictatorship.

The government has filed a legal complaint charging the president's family and the ministers with misappropriation of funds, according to officials at the Justice Ministry. Those named in the suit include Mr Duvalier's mother and sisters, his former wife Michele and former ministers Mr Theodore Achille, Mr Jean-Marie Chanolne, Mr Jean-Robert Estime and Mr Frantz Merceron.

Caroline James, Kingston

## Exuberance unbounded

At times Mr Alan Greenspan, the chairman of the US Federal Reserve, must feel like Cassandra, always warning of perils ahead, always condemned to be ignored.

In his twice-yearly testimony on US monetary policy to Congress on Wednesday, he issued his most powerful caution yet to investors about the dangers of continuing to pile into already over-valued stock markets. But like his now famous remarks about "irrational exuberance" in financial markets last December, Mr Greenspan's warnings appear to have gone largely unheeded.

Though stock and bond prices fell following the chairman's testimony on Wednesday, the drop was not steep and by yesterday the markets had stabilised. Equity prices are in fact still 10 per cent above where they were at the time of the December speech and most analysts still expect them to go higher.

Are investors really so confident of continuing upward momentum that they feel they can ignore repeated warnings from the world's most powerful monetary policy official?

The answer lies at least in part in a gap between the Fed chairman's words and

what markets appear to believe the central bank is actually likely to do.

Almost no one expects the Fed to raise interest rates simply to knock the froth off a bubbling stock market. It is assumed that it will not act until it sees clear indications of emerging inflationary pressures in the real

**Fed chairman's warnings have gone unheeded again, writes Gerard Baker**

economy. And though Mr Greenspan mused at length on Wednesday, in Delphi fashion, about the inflationary dangers of soaring asset prices, there is little evidence so far that there has been any significant inflationary spillover from the stock market into a more general increase in the prices of goods and services.

In fact most of the available evidence suggests that inflation in the rest of the economy remains subdued. The Fed itself, in its forecasts released on Wednesday, said it expected consumer price inflation this year to be in the range of 2.75-3 per cent, slightly

below last year's outcome. And with growth forecast to be just 2.2-2.5 per cent, below the long-term US trend rate, there seems little cause for alarm about inflation further along the road.

Mr Greenspan was anxious to make the point that the Fed's policy is pre-emptive, that it will move to tighten policy before markets see the need for action. He also warned that there were emerging signs of growing cost pressures in labour markets. But he has been restating these points throughout the last year, a period during which the Fed has not changed its stance.

Perhaps the best clue to what the Fed plans, and how markets might react, came in the comparison Mr Greenspan drew between the monetary climate now and in 1994-95. The Fed chairman said the latter, when the Fed tightened monetary policy aggressively and asset prices fell sharply in response, was very different. The increases in interest rates then followed a prolonged period of monetary easing. Real interest rates were too low for inflation to be contained. "In February 1997, in contrast, our concern is a matter of relative risks rather than of expected outcomes," Mr Greenspan said.

In other words, growth in

the economy means the continuing Fed bias is towards a modest increase in interest rates over the next year, perhaps 0.25-0.5 per cent, nothing nearly as draconian as the 1994-95 interest rate rises. "In 1994-95 it was absolutely clear-cut that interest rates needed to go up," says Mr Ian Shepherdson, chief economist at HSBC, an investment bank in New York. "This time, if rates do go up at all, it will be only a modest tightening."

But the fear at the Fed is that when this modest change of policy does begin, the stock market may react adversely. The current high valuation of stocks, as measured by dividend yields relative to bond yields, makes them highly sensitive to any changes in monetary policy. The markets might interpret an upward move in interest rates as the start of a more serious tightening, along the lines of 1994-95. A collapse in stock prices would complicate the task of adjusting policy to meet the demands of the real economy.

Mr Greenspan is attempting to forewarn the market against that risk by forewarning it. The problem is that investors still do not appear to share the view that stocks could be overvalued and show little sign of reining in their exuberance.

**January orders for durables increase sharply**

In November, the department said. The January rise was more than twice the 1.5 per cent pick-up that Wall Street economists had forecast.

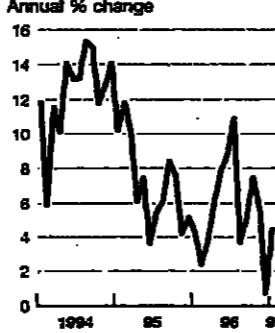
"It was certainly stronger than what was expected, and I think what's important is you're seeing strength excluding both the defence and transportation categories," said Mr Kevin Flanagan, of Dean Witter Reynolds. "This isn't a one-time deal where you're see-

ing a large order hitting the books and we can go back to a negative column. It's reinforcing the notion of a solid growth setting, as you had gains pretty well across the board."

The sharpest gain in any single durable goods category last month was for electronic and electrical equipment, up 14.9 per cent to \$27.7bn after drops of 14.1 per cent in December and 10.3 per cent in November.

### US durable goods orders

Annual % change



Source: Department

### New orders for durables

in the US increased sharply in January, the Commerce Department said yesterday, largely on a rebound in demand for communications equipment and for electronic components. Reuter reports from Washington.

Total orders for durables - items designed to last three years or more - shot up 3.6 per cent after back-to-back drops of 1.8 per cent in December and 1.7 per cent

The first trade fair on the latest technology for reducing water consumption. In Frankfurt.

# Aqua Minus

## High-tech solutions for a thirsty world

The first trade fair on reducing water consumption will take place at Frankfurt Main airport from March 16th-31st, open daily from 10 to 18 hrs. The exhibition is being organised by the City of Frankfurt

Under the patronage of Margarethe Nimsch, Hesse State Minister for the Environment, Energy, Youth, Family and Health.

together with the professional association for sanitary fittings within the "VDMA", the German union of mechanical engineers. At the International Sanitation, Heating and Airconditioning Show (ISH) 1997, in

the airport gallery, more than 50 exhibitors will be displaying a comprehensive range of products to reduce water consumption. Entrance is free. Further information is available on: (00 49 61 92) 2 56 12.

If you are interested in the associated seminars at the Airport Conference Center (ACC), please send a fax to: (00 49 69) 72 12 18. We will be happy to send you further information.

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## Sharp boost for 1997 HK growth

By John Hidding  
in Hong Kong

Mr Donald Tsang, Hong Kong's financial secretary, yesterday forecast robust economic growth this year and said he expected business confidence to remain high through the territory's transition to Chinese sovereignty in July.

Speaking ahead of his budget next month, Mr Tsang predicted real gross domestic product would rise by 5.5 per cent this year, compared with 4.7 per cent in 1996. "We expect the economy to perform significantly better than last year," said Mr Tsang. But he cautioned that stronger growth was adding to inflationary pressures, with consumer prices expected to rise by an average of 7 per cent this year, compared with 6 per cent in 1996.

The official projections were largely in line with private sector estimates, although several economists were more cautious about recovery in private consumption and more concerned about the risks of inflation. Business organisations, including the general chamber of commerce and the British chamber of commerce, have also reported robust sentiment among their members, despite politi-

cal disputes between Britain and China and controversy over Beijing's plans to amend civil liberties laws and replace the territory's legislature.

Mr Tsang said he was taking the unprecedented step of releasing growth forecasts ahead of the annual budget to demonstrate the government's commitment to the free flow of information and to underpin its laissez-faire principles. "It is right to demonstrate as plainly as possible that market forces, not the annual budget, determine Hong Kong's economic performance," he said.

Pressures have been growing in Hong Kong for measures to support the territory's manufacturing sector, which now accounts for about 10 per cent of GDP, compared with 24 per cent at the end of the 1970s. Mr Tung Chee-hwa, the territory's future leader, has signalled that he might be sympathetic to steps to strengthen manufacturing, raising the prospect of strains within the post-hand-over administration.

According to Mr Tsang, growth this year will be fuelled by a 5.5 per cent rise in consumer spending and a rebound in foreign trade as a result of improved demand in some of the territory's

main export markets. Investment growth will shift from the public sector to the private sector as work is completed on the territory's new airport, one of the world's largest infrastructure projects.

The pattern of growth and the rise of inflationary pressures prompted reservations among some private sector economists. "The story of this recovery is capital inflows and liquidity," said Mr Dong Tao, senior regional economist at Schroders Securities. Although he argued that price rises had been curbed by the strength of the Hong Kong dollar, which is pegged to the US currency, he warned of underlying pressures. "Strong liquidity along with a lack of controls over the money supply could cause asset price inflation. We have already seen a strong rally in the property and stock market."

While most economists said Mr Tsang's growth forecasts were in line with their own estimates, they added a note of caution about US monetary policy. "If the US raised rates, then we would see tighter conditions in Hong Kong and pressures on growth rates," said one economist at a European investment bank.

By Peter Montagnon and  
Justin Marozzi

Mr Ben Diokno, economics professor at the University of the Philippines, warns there are signs that the country's economic miracle is not as far-reaching as it looks. "Some of my friends are getting out of textiles and into property," he says. Deregulation has prompted a superficial boom in the construction and property sector, but the share of manufacturing in the economy remains lower than it was in the early 1980s.

Government officials like to portray Mr Diokno, who is known in Manila as the "prophet of doom", as a bit of a crank. The conventional wisdom is that the reforms, instituted by President Fidel Ramos since 1992 and which are due to culminate in May in a far-reaching overhaul of corporate and personal income tax, have transformed the economy.

But weak export growth in the second half of last year has sparked a more critical awareness of the need for follow-through in reform, especially as political uncertainty grows ahead of next year's presidential elections.

The character of the economic problem has changed, says one international economist. At the beginning of the reform period it was easy to see what Mr Ramos had to do - tackling the power shortage was obvious - but there was a lack of confidence in change actually happening. Now confidence has improved, but policy has become more difficult.

Even Mr Diokno says the

The Philippine manufacturing sector registered a 2.6 per cent year-on-year slowdown according to government figures, sending a warning sign to economic planners, reports Justin Marozzi from Manila.

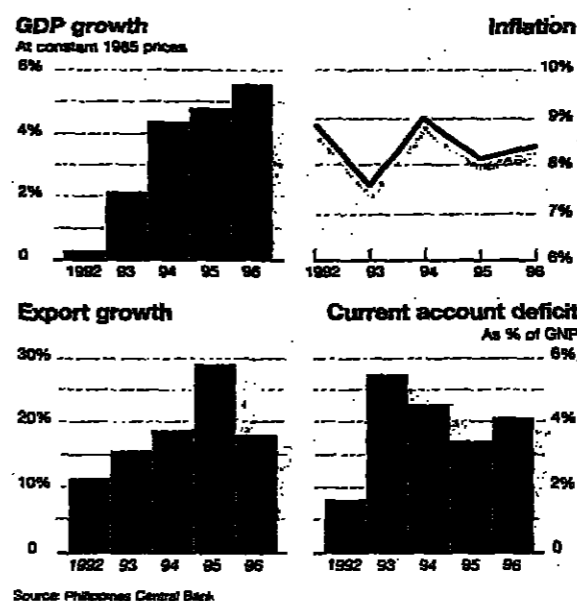
The volume of production index registered a 3.8 per cent drop from November, while double-digit year-on-year decreases were reported in four sectors.

Wearing apparel led the decline with a 29 per cent fall, followed by a drop in textile, rubber products and non-ferrous metals. The figures come amid concern that the Philippines' widening trade deficit and heavy dependence on remittances from overseas workers, combined with a flat manufacturing sector, might jeopardise continuation of the country's recent economic growth.

sustainable growth rate had risen to around 5 per cent from 3 per cent before the reform started. Mr Clelio Habito, secretary of planning, says the "cruising speed" is higher - between 6 and 8 per cent.

The Philippines suffered less than other Asian countries in the regional export slowdown last year, partly because it was just beginning to reap the benefit of a surge of foreign investment in its electronics sector. But among lingering concerns are that the textile sector suffered badly, while imports continued to surge. The Philippines ended 1996 with a trade deficit of \$12bn. The savings rate of slightly more than 18 per

### Philippines: looking good



more on infrastructure. "You don't have to produce a government surplus just by constricting expenditure," says Mr Habito.

He says Philippine exporters will become more competitive by increasing their productivity. For the garment industry this means moving up-market. In electronics there is already some evidence of higher domestic value-added. Fewer electronic components are being imported per unit of exports.

Yet most economists agree that the Philippines will run a current account balance of payments deficit for some years. At 4 per cent of gross national product, the deficit is about half that of Thailand. Thus far it has proved easy to finance, but the figures include a large \$7bn allowance for overseas worker remittances which leaves many economists concerned.

Success in economic policy depends on the dollar inflow lasting long enough to allow exports to take off, he says. If it does not, the country could still be left high and dry. Most economists expect the Philippines to avoid such a crunch, as evidenced by the decision by Standard & Poor's to upgrade of its credit rating to BB+ from BB at the weekend.

Yet a careful hand on the tiller is also needed, which is where the election comes in. Though the contest is wide open, businessmen are wary of a victory by Mr Joseph Estrada, the popular current vice-president who many fear would slide back into cronyism. His election "would crack confidence", says Mr Sutherland.

## Asia warned of money laundering dangers

By Ted Bardeack  
in Bangkok

Economic development in Asian nations, particularly those with newly emerging financial systems and cash economies, is being put at risk by the growing practice of money laundering in the region, law enforcement officials said yesterday.

The warning came as 26 Asian and Pacific nations established a region-wide group to jointly tackle their money laundering problems. Only eight of the countries in attendance have enacted anti-money laundering legislation and delegates said that as other regions introduced tougher anti-money laundering measures, Asia was at risk of

becoming more vulnerable. "The capacity for corruption, destabilisation and distortion of financial markets as a result of money laundering cannot be underestimated," said Mr John Brum, Chairman of the Asian Group of the Financial Action Task Force (FATF) on Money Laundering.

Several researchers have recently pointed to Thailand, where anti-money laundering legislation has been pending for several years, as an example of the corrosive effects money laundering can have on a country's financial system.

A recent report by economists at Bangkok's Chulalongkorn University said Thailand attracted as much as \$30.8bn annually, or 17

per cent of GDP, in illegal money from narcotics, prostitution, gambling and smuggling. The FATF said such illegal proceeds were often invested in real estate developments, driving down the real value of legitimate investments in the sector and hurting banks and other financial institutions.

Officials were unable to put a figure on the total amount of money laundered in Asia each year, but the widespread existence of casinos, combined with the fact that most of the world's heroin comes from the region and the willingness of legitimate businesses to conduct large cash transactions, helped make Asia a fertile ground for money laundering.

### ASIA-PACIFIC NEWS DIGEST

## Sharp rise in Japan's output

Japan's car and electronics companies have been working overtime to cope with an anticipated surge in domestic consumer demand ahead of a rise in sales tax from April 1. That was the main feature in a higher than expected 5.3 per cent rise in industrial output from December to January, after near-stagnation - a rise of just 0.1 per cent - in the previous month, according to preliminary data from the Ministry of International Trade and Industry (MITI) yesterday.

An upturn on this scale is not expected to last. MITI projects, on the strength of a survey of manufacturers, a 3.3 per cent decline in output this month, followed by a 2.7 per cent decline in March. That would bring production back to about the same level as last December, said Mr Richard Jerram, chief economist at ING Barings Securities in Tokyo. The underlying level of production has been gathering pace since the middle of last year, even after adjusting for the current domestic sales push.

On a three-month moving average, output rose by 3.5 per cent last month. This is well ahead of the general growth of the rest of the economy, partly a sign of how manufacturers are doing better than the service industry - which is not included in industrial production. Manufacturing production is being led by exporters, such as the car industry, whose overseas sales rose by 24.5 per cent, year-on-year, in volume terms last month.

Exporters are benefiting from the yen's fall, which has made their products cheaper in foreign currency terms.

William Dawkins, Tokyo

### Thai imports down 6.2%

Thailand's export performance continues to be sluggish but the slowing economy is causing a sharp fall in imports that is helping quickly to narrow the country's current account deficit, according to figures released by the central bank yesterday.

Exports in December fell 1.7 per cent year-on-year. They totalled \$11.7bn (\$4.5bn), some \$2.8bn lower than the previous month. Imports in December fell more sharply, declining 6.3 per cent year-on-year, and were \$5.7bn lower than the previous month. December's current account deficit was \$1.9bn, its lowest level in nearly two years.

The trade deficit also narrowed to \$2.2bn, its lowest level in over a year. Manufacturing production picked up slightly, rising 4.8 per cent in December compared with 4.1 per cent in November. Money supply growth fell for the third consecutive month to 10.9 per cent, while bank deposit growth fell for the second straight month to 12.6 per cent.

Ted Bardeack, Bangkok

### US ambassador for Vietnam

Mr Douglas Peterson is likely to be confirmed as the first US ambassador to a united Vietnam this week. He will arrive in Hanoi by April 1. Mr Peterson, 61, a Florida Democrat in the US House of Representatives between 1991 and 1996, played an advisory role in President Bill Clinton's decision in 1995 to normalise relations with Vietnam. He was a prisoner of Hanoi for six years after his jet was shot down in the Vietnam war. AFP, Hanoi

## S Korea may face further strikes

By John Burton in Seoul

South Korea is facing the threat of new strikes today as parliament rushes to amend a controversial labour law that sparked three weeks of industrial unrest last month.

The dissident trade union confederation, which staged last month's general strike, said it would proceed with a new round of strikes unless parliament substantially revised the labour law which makes it easier for employers to sack workers.

The government had promised to amend the labour law by tomorrow. But, even if the law makes concessions to unions, there are fears of renewed labour conflict this spring as companies propose to freeze wages to avoid putting off workers.

The labour law, which was forced through a secret dawn parliamentary session in late December in the absence of opposition MPs, was criticised by the Organisation for Economic Co-operation and Development and international trade union groups for curbing workers' rights of association and collective bargaining.

The labour law included a ban on multiple unions for several years, a prohibition on company salaries for full-time union leaders, the withholding of pay for striking workers and a ban on teachers forming unions. Officials said the measures were essential to promote labour market flexibility and halt high wage growth that has made Korea less competitive.

If the ban on wages for striking workers is kept, the government has indicated that it will withdraw provisions that would allow companies to sack workers en masse.



Why are the impossibly haughty sales assistants in Manhattan's temple of chic finally showing signs of warmth? Where can you have your portrait painted without losing face (and for under £400)? Why should you take your time when choosing a watch? And which lesser-known breeds of South African game park offer the true bush experience? Find out on Saturday, March 1, in the Financial Times' 56-page how to spend it colour magazine.

## NEWS: INTERNATIONAL

# Arafat to enjoy the high ground in Washington

By Judy Dempsey  
in Jerusalem

Mr Yasser Arafat, president of the Palestinian Authority, will meet President Bill Clinton and Mrs Madeleine Albright, US secretary of state, on Monday in Washington, confident he has maintained his authority among Palestinians following the Israeli government's decision to build a new Jewish settlement in Arab east Jerusalem.

During a session with senior Palestinian leaders yesterday in the West Bank town of Nablus, Mr Arafat used all his skills to stave off any unrest. He also sought to rally Palestinians, arguing that Israel would withdraw from about 10 per cent of the rural areas of the West Bank in the first phase of the three redeployments instead of about 3 per cent originally conceived by the Israelis.

Both Palestinian and Israeli officials denied any claims of a trade-off between the Har Homa settlement and a larger redeployment from Area B - land under Palestinian civil administration but Israeli security. Diplomats said Mr Benjamin Netanyahu, the Israeli prime minister, was in no position to trade any land for acceptance by the Palestinians of a new settlement in east Jerusalem. "The far right/nationalist parties would not buy that," said one diplomat involved in the peace talks.

Senior US officials had insisted instead that Israel make a "substantial" redeployment, adding they would not be pleased with the original 3 per cent withdrawal. Pressure from Washington had been exerted in the knowledge that Mr Netanyahu seemed determined to press ahead with Har Homa and that this could lead to a

backlash by Palestinians. But the pressure had stemmed from a belief that, unless considerable progress was made on redeployment and other outstanding issues, the momentum in the peace process would be lost.

The first phase of the Israeli troop withdrawal, due to be completed next Friday, may also include that from areas completely under the control of the Israelis and where almost all the Jewish settlements are located.

During his visit to Washington - which will almost certainly include a visit to the United Nations in New York - diplomats said Mr Arafat has the moral high ground. "He can show that he commands discipline and authority just as much as he knows he cannot allow himself to be pushed too far by the Israelis," a diplomat said.

"But more important, he

can show that it is Israel which is breaking the Oslo accords, particularly over Jerusalem whose status is meant to be left until the final status negotiations. In that sense, he may be able to extract further concessions from Washington," he added.

The Har Homa decision, however, continued to attract international criticism. Yesterday, Japan, normally circumspect in such matters, added its voice. Mr Ryutaro Hashimoto, the Japanese prime minister, said Har Homa was a "negative element for the Middle East peace process and I personally regret it." Mr David Levy, the Israeli foreign minister, is in Japan.

Criticism from Tokyo coincides with plans by the Israeli government to raise \$20bn (\$164m) in Japan's domestic bond market, the first time it has tapped the Asian markets.



President Arafat inspecting a Palestinian guard of honour yesterday on his arrival in Nablus where he attacked Israel's decision to build houses for Jews in east Jerusalem

## Attitudes in US dismay UN chief

By Bruce Clark and Michael Holman

Mr Kofi Annan, the new United Nations secretary-general, said yesterday that he had been shocked by the strength of US isolationism.

In an interview with the Financial Times, the secretary-general said he had been dismayed to discover that far-fetched conspiracy theories about the world body had gained currency at senior levels of the US Congress.

"The UN has no designs on the US, and even if we took it, I'm not sure if we could hold it," quipped the Ghanaian diplomat. The UN has been attacked by extreme right-wing groups on a range of bizarre grounds, including theories that helicopters with UN markings have carried out military manoeuvres over US territory. Mr Annan said he was disappointed to find some credence had been given by mainstream politicians to the idea of a UN conspiracy to subvert the sovereignty of the US.

"For a while we all thought it was the extreme elements that talked of black helicopters and UN designs on US sovereignty... but I was shocked when I went to (Capitol) Hill."

Questions about "UN designs on US sovereignty and UN intentions to tax US citizens" had been put to him by senior members of the Senate, he said.

But Mr Annan said: "I hope that my answers might have clarified some of these misunderstandings."

The US administration last month asked Congress to repay most of Washington's debt to the 185-member institution - but only in 1999, and subject to implementation of streamlining measures long demanded by US politicians.

Despite the suspicions of Washington's lawmakers, such as Senator Jesse Helms - who says he will call for US withdrawal from the world body unless it reforms - Mr Annan expressed mild optimism about an internationally agreed programme for change.

He said that in the next four weeks he would draw up a series of internal reforms of the Secretariat, including the "consolidation of departments" and possibly the appointment of a deputy secretary-general. But broader questions, such as the UN's fundamental purpose and the make-up of the Security Council, would have to be decided by the member states.

Turning to the conflict in Zaire, Mr Annan said he was encouraged that African leaders were playing such a constructive role in the talks under way in South Africa. President Nelson Mandela, in close co-operation with several other African leaders, has helped sponsor the first stage of negotiations involving Mr Laurent Kabila, leader of the rebel movement which controls much of the country's eastern region, and envoys from President Mobutu Sese Seko of Zaire.

"The remarkable thing is that they are all pulling together, including the secretary-general of the Organisation of African Unity."

# Plugging the many holes in Africa's ballot boxes

Michela Wrong on a Commonwealth-led move to strengthen democratic institutions on the continent

Mr Jacques Chirac once remarked that Africa was not ready for democracy. It was a comment, made before he became president, which Africans found patronising. But Mr Chirac was doing no more than reflecting the anxiety western governments feel at what appears at best a faltering record of reform.

For although the years since the end of the cold war have seen a proliferation of multi-party elections in a continent once dominated by one-party regimes and blighted by military coups, many have merely strengthened the hold of a generation of post-independence rulers, or ushered in new autocrats. This is disquieting enough to have prompted the Commonwealth, the 53-member association which brings together countries with historical links to Britain, to

stage a unique roundtable on African democracy and "good governance" in Botswana's capital Gaborone this week.

Brainchild of Chief Emeka Anyaoku, Commonwealth secretary general, the conference broke new ground by including both ruling party officials and opposition members from 18 African countries.

"It is not a forum to advocate an African brand of democracy," he told delegates, "nor is it intended to foster the illusion that somehow there is a less demanding path to democracy for Africa."

The agenda ranged from the controversial - coming to terms with "good old tribalism", as the chief put it - to the pragmatic - appropriate pensions for leaders who lose power at the ballot box. For some of those attending, barely on speaking

terms back home, it was the first chance for such a dialogue.

"Six or eight years ago we couldn't have held this meeting," said one Commonwealth official. "There was no admission that a problem even existed. Now we all agree there is a democratic deficit."

When the Commonwealth officially embraced multi-party democracy in Harare in 1991, nine of its African members were under military rule or one-party states. Today only one falls into that category.

The press is freer, political parties have been registered, human rights records have improved and military leaders have shed their uniforms to be tested at the ballot box.

But if most African leaders have stopped short of the brutal methods used in Nigeria - suspended from the Commonwealth since its

military regime hanged disident Ken Saro Wiwa and eight others - many have proved adept at bending the rules.

In Tanzania, for example, Zanzibar's elections were so obviously rigged donors have severed aid to the island. In Kenya, a political party still awaits government recognition, 18 months after applying. And in Zimbabwe presidential powers to apportion parliamentary seats are one of several hurdles faced by the opposition.

Ruling parties are not the only contributors to the democratic deficit. Opposition parties - ethnically based, dominated by personality politics and squabbling among themselves - have often proved incapable of grasping the concept of a "loyal opposition". When they have lost, they have disenfranchised their supporters by boycotting parlia-

ment or refusing to recognise the results.

Nor has the response of donors always been helpful, for while they have linked aid to good government, commercial and strategic interests often outweigh concerns about democracy.

The meeting in Gaborone discussed how to combat the effects of a winner-takes-all system which condemns losers to dangerous obscurity. A defeated candidate starting financial ruin in the face is unlikely to go quietly.

Delegates recommended that defeated or retiring leaders should be offered pensions and opposition parties given state funding to ensure they retain a stake in the democratic system.

In an attempt to combat tribalism, delegates also emphasised the need to strengthen local government, devolving the centralised power systems estab-

lished by the colonialists. This would lessen the danger of entire ethnic groups being marginalised.

But attempts by Ugandan officials to persuade the conference that President Yoweri Museveni's no-party "movement" system was an effective way of uniting a society splintered by past tribal, religious and regional differences received short shrift.

Delegates said Uganda's vigorous defence of its system was too reminiscent of the justifications voiced in the past by one-party regimes. "Everyone is moving in one direction and the Ugandans want to move in another. This is an argument of convenience," said Mr J.A. Kufuor, Ghana's main opposition leader.

There was a strong push from opposition leaders to replace the system whereby Commonwealth observers

monitor elections with a constant "democratic auditing" process, so that dirty tricks are denounced long before a hopelessly weighted ballot takes place.

Those hoping for immediate action would find the recommendations drawn up by the roundtable disappointingly general. But delegates said the main thing was to have them accepted by the African heads of state who have been debating them in a retreat in northern Botswana and who will report back to a summit in Edinburgh in October.

"This is a beginning," said Mr John Fru Ndi, the opposition leader many believe was the real winner of Cameroon's last elections. "You don't go in full throttle. First you agree on the ground rules, later you establish the specifics. We have to sugarcoat the pill so the patient will swallow it."

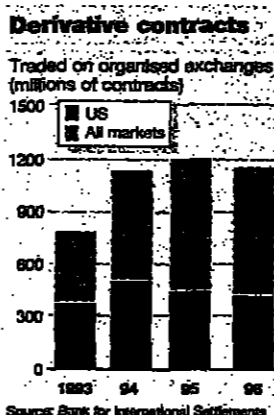
## BIS sees acceptance of more bond market risk

By Richard Lapper,  
Capital Markets Editor

Investors were more willing last year to take "greater market and credit risks" in order to increase returns, according to a report published today by the Bank for International Settlements.

The report shows a sharp increase both in the overall volume of bonds and in structured deals offering higher returns. Net issuance (new issues less redemptions) of international bonds and other securities grew by \$512bn, compared with a rise of \$313bn in 1995, increasing the total outstanding stock of such debt to \$3,200bn.

With world interest rates at relatively low levels, investors were more prepared to invest in more "exotic" currencies and structures. Last year saw the first international bonds denominated in currencies such as the Icelandic krona and Croatian kuna. The report points to the growth in popularity of asset-backed



Source: Bank for International Settlements

structures, which repackage financial assets and cash flows, ranging from bank loans to aircraft leases.

For the year as a whole 34 per cent of all bond issues were asset-backed securities, compared with 19 per cent in 1995. Asset backed structures accounted for 37 per cent of all bond issues in the fourth quarter.

"The pervasive use of derivative features on a widening array of debt issues

provided another illustration of investors' relentless search for higher returns," said the report. Derivatives such as call options, which give the issuer the right to redeem a bond before it matures, were features of many issues.

Such "structured securities", which offer higher yields to investors than conventional bonds but lost popularity after the 1994 fall in bond prices, have "returned to favour". At the same time, the BIS pointed to continued stagnation in the exchange-traded derivatives market, with the turnover of financial futures and options contracts falling from 1.21bn in 1995 to 1.16bn in 1996.

The volume of deals also fell throughout last year, dropping from 326m contracts in the first quarter to 271.2m contracts in the last three months of the year.

"International Banking and Financial Market Developments February 1997, Bank for International Settlements, Basle

Risk premium now paid is lower than new ratings would justify

## Credit ratings irk Lebanon

By Rula Khairat  
and Samer Iskandar

A year-long tug of war between Lebanese officials and Moody's, the US credit rating agency, culminated this week with the publication of ratings for Lebanon by four different agencies.

The process started in February 1996, when officials from Moody's reportedly advised government officials that they intended to issue an unsolicited rating.

Although Lebanese officials had been expecting such a move ever since they issued the country's first eurobond in October 1994, they nonetheless tried to stall the process.

The reason they dragged their feet is that the risk premium they currently have to pay to investors is lower than the ratings would justify. This is explained by the fact that a substantial proportion of eurobonds issued by Lebanon is held by expa-

triate Lebanese investors, whose assessment of the country's risk is lower than that of the international financial community.

The officials also recognised that Moody's often produces harsher assessments than its peers; thus their decision to solicit three other ratings.

Resulting grades were: BBB- from Nippon Investors Service, a Japanese rating agency; BB from IBCA, the European agency; BB- and B1 respectively from Standard & Poor's and Moody's, the largest US agencies.

These assessments apply to two outstanding eurobonds issues, totalling \$800m. They will also act as a ceiling all bonds issued in foreign currencies by Lebanese entities.

One credit analyst at a large US bank in London said "S&P's rating represents a good median." It puts Lebanon on an equal footing with Russia, but he described Moody's grade as

harsh. "There is no reason to rate Lebanon two notches lower than Russia, which presents a similar profile of political instability," he said.

Lebanon's ratings are constrained by its uncertain future. A country in the midst of an ambitious reconstruction drive after 17 years of civil war, Lebanon can easily be viewed as having unlimited potential in the context of peace in the Middle East, but also unlimited risk in the context of continued regional instability.

That national reconciliation among Lebanon's various communities remains fragile makes the country's vulnerability to outside shocks even worse. Its relationship with Syria, which controls Lebanese politics, in turn makes it dependent on events in Damascus.

Political vulnerability is compounded by the fragile state of public finances. Although the country's external debt of \$2.7bn

(£1.65bn) is small - it accounts for 20 per cent of GDP - it is the accumulation of a huge internal debt of more than \$8.5bn that really worries rating agencies.

Moody's estimates that, compared with annual fiscal revenues, the total public sector debt burden averaged 443 per cent over the 1991-1995 period.

The government and the private sector have, however, been able to convince international investors of the merits of investing in Lebanon by focusing on the bright scenario: that peace, although delayed, is inevitable; that the country has a strong and entrepreneurial private sector and a history of liberal economic management; and that it can and will regain its role as a financial and tourist centre.

Lebanon has an excellent debt repayment history, a net external creditor position and huge assets held by the Lebanese diaspora.

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## Attitudes in US dismay UN chief

By Bruce Clark and Michael Hoffman

Mr. Bout Amman, the UN chief, said yesterday that the attitudes of US officials towards the UN had been a source of dismay. He said the UN was not a "box" and that it was not a "product".

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e of risk

Lebanon

السؤال الثاني

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## COMMENT &amp; ANALYSIS

Philip Stephens

## Unacceptable risk

The insurance industry may be keen to replace parts of the welfare state – but only for the fit and the affluent

The state is in retreat. Its boundaries must be drawn ever more tightly. In this age of the individual, we are to fend for ourselves from cradle to grave. The spending axe will cut deepest into the bloated welfare budgets which are the legacy of the postwar settlement.

Such, in varying shades, is the received wisdom of the times. Some, like Bill Clinton in the US or Tony Blair in Britain, may promise to slow the process. And collective social welfare will not be surrendered easily in Germany and France. But the ideological tide, we are told, runs against government. Global competition and a smaller state fit hand in glove. Private must replace public provision.

Even on the left, this neat view of the post-millennium world carries echoes of inevitability. Projecting the present into an indefinite future is a universal weakness. Roosevelt and Beveridge are now fallen heroes.

Mr Clinton, a New Democrat, was the first to start unpicking the New Deal. Mr Blair, on the threshold of power as the leader of New Labour, proclaims that only the centre-left has the capacity to reform (spend less on) Britain's once-treasured welfare state.

At some point, though, seductive theory meets reality: ideology confronts empiricism. It is then that we see the snag. It is a serious one. The era of big government may be over. And anyone can squeeze provision at the margin if they are not much fussed about the dismal condition of the underclass. But those who would dismember the welfare state rather than merely curb its more voracious appetites have to offer alternatives.

Easy, they say. The market will do the job. It is much more efficient. That is what savings plans and insurance policies are for. Personal pensions, life and

health insurance, mortgage protection policies, unemployment and long-term care insurance – you name it and the industry will write you a policy.

And it will. But only if you are fit, able or affluent. The poor, the sick and the unemployed need not apply. Nor need the growing number in insecure jobs; nor those deemed more susceptible to illness by virtue of their genes. For at the very moment when private insurance is being promoted as the successor to collective provision, it is becoming ever more unsuited to the task.

Consider one or two straws in the wind from Britain in just these past weeks. The Association of British Insurers said the number of people taking out private health insurance has fallen by 1m from a high point of nearly 7m in 1990. Some doomsters say the numbers could fall by another 3m in coming years.

These precise figures are disputed. But the trend is clear enough. A few years ago, private health insurance was the future. No longer. For all its institutionalised squalor, the taxpayer-financed National Health Service is apparently preferable to the escalation in the premiums charged by private insurers; the more so

A shift to private provision would be seriously regressive. Those most in need would be those least able to afford insurance

for those fortunate enough to be in good health.

Then there is genetic testing. For now, Britain's insurers are prepared to allow prospective customers to keep the secrets of their genes when applying for life insurance. But sooner rather than later the good genetic risks will be separated from the uninsurable bad. As one insurance man explained, once some companies screen out the vulnerable, the competitive pressures of the market force others to follow suit.

There is a broader trend here. The market for motor insurance has long been segmented. Premiums reflect where you live, local crime rates, the type of car you drive, your drinking habits and your profession (many companies refuse cover to journalists). This fragmentation is spreading rapidly to all forms of welfare insurance. The result: a multiplication in exclusion clauses, premium loadings and uninsurable risks.

You can hardly blame the industry. Traditionally, ignorance has allowed it to spread risk thinly. The advance of technology has transformed the position. If the strong can be readily distinguished from the weak, why should the former be asked to subsidise the latter? Redistribution is not a function of the market. If society wants less inequality, that is a task for the state.

Other forces run in the same direction. Flexible employment markets nourish competitiveness. They also mean less security for those in work. Insurance to bridge the gaps between short-term employment contracts is either prohibitively expensive or, more often, unavailable. It is a question of moral hazard. If cover was more freely offered, policyholders would be encouraged to take extended holidays.

The evidence for such

shortcomings is not simply anecdotal. A report published this week by the Joseph Rowntree Foundation looks at the cost of private provision in three areas of welfare from which the state has already begun to withdraw: mortgage payment protection, long-term incapacity and long-term care insurance.

The study finds that in these three, very limited areas a married man of 45 would pay £900 per year for insurance. For someone on average earnings that is the equivalent of a rise of 6 percentage points in the basic rate of income tax. Even then, many would find themselves with limited cover and some would be excluded completely.

The wider conclusions from all this are obvious. Public welfare is redistributive. The less advantaged are subsidised by the more affluent and able-bodied as risk is spread across the widest spectrum. A shift to private provision would be seriously regressive. Those most in need would be those least able to afford insurance. Many would be stranded in a new underclass of the uninsurable.

None of this is to dispute that the present, monolithic structure of welfare provision is a child of the economics and the demographics of the 1950s rather than the 1990s. Like everything else, it must adapt to change. In Britain, there is obvious scope for an expansion of mutual self-help within companies, trade unions and communities. The private sector has a role. But before we abolish the welfare state, we should think a little more carefully about what might replace it.

*Private Welfare Insurance and Social Security, by Tania Burchardt and John Hills, £13.45, published by York Publishing Services in association with the Rowntree Trust*

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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## European security must include the Russians

From Mr Frank Blackaby.

Sir, Your editorial "Nato's leap in the dark" (February 25) seems to have accepted in a somewhat uncritical way a number of arguments put forward by those who favour Nato expansion.

For example, it is suggested that without US military presence there might be "renationalisation" of European states' defence policies. The opposite is more likely to be true. All the moves to "denationalisation" – the mixed-force brigades and the European

rapid reaction force – have been European initiatives. The Americans have been distinctly cool to these ideas.

Nato, you suggest, has put limits on the intensity of quarrels between member states. In fact, Nato has done nothing about the persistent hostility between Greece and Turkey. It has, if anything, exacerbated it with the "Cascade" programme which accompanied the Conventional Forces in Europe treaty. Under Cascade both states acquired large quantities of modern weap-

ons at knock-down prices.

Then you suggest that "at least in theory" Nato has set standards for civilian control of the military. The Treaty of Washington says nothing about civilian control of the military. In the periods during which, in Greece and Turkey, there was military control of the civil sector, Nato was unconcerned.

The big argument here is simple. After the end of a war, if you want peace you should bring the former enemy into your security structure. That was done

with Germany after the second world war, and as a consequence war between western European states is no longer credible. After the end of the cold war the overriding need was to bring Russia into the European security structure. Instead, we have what George Kennan has called "the most fateful error of American policy in the entire post-cold war era".

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## Private cash no panacea for Underground

From Mr Anthony H Rowley.

Sir, Mr John Major's sneering comments in parliament about the British Labour party and North Korea being alone in "craving" privatisation may be in keeping with the intellectual capacity of the Tory leadership, but they are not worthy of what should be an informed public debate on privatising London Underground.

The Underground system is outdated, inefficient, dirty and dangerous and pathetically inadequate compared with modern, efficient, clean and safe systems elsewhere (in Tokyo, for example). It clearly requires big improvements including re-boring of tunnels, renewal of rolling stock, and improvement of station infrastructure.

This requires massive

injections of capital. Yet the record of the private sector in capitalising transport ventures is hardly encouraging. The Hongkong Mass Transit Railway system was predicated on the notion that property development along-side stations would largely finance construction of the system. In the event, the Hong Kong government had to make repeated injections of public money into the MTR to make good shortfalls of revenue over debt servicing costs. The Channel tunnel is another egregious example of how private-sector financing of transport infrastructure projects can go badly astray.

There are obvious social dimensions to transport economics and it is Mr Major's blithe assumption that the

market will provide a complete solution that is risible, rather than the honest doubts of the opposition on this score. London Underground lacks morale in an age of simplistic faith in the ability of the private sector to cure all economic ills. Yet there is no reason why a properly managed and adequately capitalised public entity should not transform the current shambles under London into a network which could again be source of national pride. Cosmetic improvements by opportunistic private investors are hardly an adequate substitute.

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## Not yet on the right track

From Mr Kenneth Armitage.

Sir, You may be correct to suggest, as you do in your leader ("Age of the new trains" 26 February 1997) that new train operating companies "have smartened up their services with new paint and new uniforms". But many, if not all, of those companies are still using the same old rolling stock with tired engines, tired carriages and worn-out seats. Having a new livery for men and machines does not make up for still uncomfortable commuter services.

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## An acceptable quality level should mean right all the time

From Mr Philip B. Crosby.

Sir, I find it hard to believe such a sophisticated organisation would fall for a programme like "six sigma" ("A black belt in quality", February 24). This is an extension of the "acceptable quality levels" approach that produced years of things that did not work as planned. It requires measurement and analysis to determine "what

is good enough". It costs much more than just learning how to do things right first time.

Think about it. If we accept that we can drive through 3.4 stop signs per million, then what happens to the integrity of the driving system? Semiconductor chips contain millions of components, and every chip will be defective under this

standard. Jet engines contain several million characteristics, which brings about an obvious question of reliability. I fail to understand why people keep digging up these old ideas when they have been proven to increase the price of non-conformance and make trouble for the customers. Business is transactions and relationships. Quality management is

about getting all the transactions correct every time, while helping employees, suppliers and customers to be successful. It is not about how many babies it is permissible to drop before someone complains.

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## Europa • Michael Stürmer

## Given undivided attention

Germans need to define themselves afresh and think about what sort of Europe they want



The fall of the Berlin Wall sparked off a chain reaction including enlargement of the European Union, the eastward expansion of Nato and the strengthening of the Western European Union.

Perhaps the greatest impact has been felt in Germany, where it has not only altered the way Germans see themselves but also changed the country's position in Europe almost beyond recognition.

There is a consensus in Germany – across the political spectrum – that the country must continue to be integrated in Europe and in the Atlantic alliance. The importance of that integration was emphasised by Mr Helmut Kohl, the chancellor, when he said that European integration for the 21st century was a question of war or peace.

But the changes since 1989 have left a legacy which means that Germans need to define themselves afresh and think about what sort of Europe they want. There is a danger that without such a process the European project will lose popular support.

Overcoming the country's division has been more difficult than expected. Party politics in the east and the west are so different that there is a serious risk of misunderstanding.

So far, the east German economy has not seen the dramatic take-off needed, and DM1,000bn (\$698bn) has gone largely in the upkeep of a population that cannot earn its passage. Disenchantment in the west is mixed with resolve that an alternative to success cannot be permitted. In the east, in spite of many dashed hopes, unification is still seen by a large majority as a cause of joy.

The prospect of European economic and monetary union adds a further challenge, however. Most Ger-

mans tend to focus on the loss of certainty that will follow the abolition of the D-Mark than on the gain in security from an ever closer union.

Sixty per cent of Germans are against Emu – and the rest do not support it. Many find the economic arguments wanting or, at best, uncertain. The government's attempts to educate them have been modest, and have not touched the deeper layers of unease.

This concern about the common currency is adding to unhappiness with the Brussels bureaucracy and irritation with red tape and intrusive legislation.

In Austria, Mr Jörg Haider, leader of the right-wing Freedom party, has just scored a resounding success at the polls with an anti-Brussels programme which cashes in on such sentiments.

In Germany such an anti-EU ticket is not feasible. To be pro-Europe and pro-integration is not only politically correct, it also corresponds with the nation's nightmares of the past and visions for the future. A Haider would be forgiven in Austria; the Germans would not forgive themselves.

Yet the intergovernmental conference discussing future reform of the EU is likely to unsettle German public opinion further. It will, for example, be looking for means to streamline the way the EU operates so it can accommodate 10 or more new members from eastern and central Europe. This will

inevitably reduce the weight of the founder members such as Germany and force them to find reassurance in a core group that agrees on more integration.

The EU will also have to redistribute regional and structural funds in favour of new members from eastern and central Europe without fresh money coming out of Germany. And there will have to be a restructuring of the Common Agricultural Policy, which is likely to be controversial in the farming community.

In the postwar years the Germans were probably more Europe-minded than most other Europeans. Virtue and necessity converged in Konrad Adenauer's grand design of integrating the federal republic into western Europe – although it was a matter for controversy whether this created a framework for eventual reunification or accepted the country's division.

Adenauer prevailed, and in 1990 his strategy was vindicated when the communist east crumbled and the country was reunified. But that raised the question about what sort of role Germany now sees for itself in Europe and the world.

Are the Germans more Europe-minded than others, committed to the Europe of ever-closer union as described in the Treaty of Rome and still routinely referred to in the Maastricht treaty? Or are they a nation like all others, with a little more population, gross domestic product and history, and a little less

self-assurance, nuclear clout and worldly wisdom?

If the former is the case, the Germans, by being more Europe-minded than anybody else, are likely to push their neighbours into more integration. But if Germany is a nation like other nations, the Germans need to decide how they see their future and what this means for the future of the EU.

A combination of history, geography and the national interest makes Germany the most European of all the European countries, with the possible exception of Luxembourg. The irony remains that the Germans can become Europeans like their neighbours only by being reasonable and reassured, more than in the past, about their own national identity.

The enlightened wisdom is that the nation state is dying, because it cannot provide for external security, a flourishing economy and enough capital at reasonable rates. Yet the nation state is alive and well in matters of taxation, the welfare state, internal security and environmental concerns – and above all the creation of accountable government.

But this places national governments in an uncomfortable position. Good news comes from the global marketplace, from the success of big companies operating worldwide. Bad news about unemployment and continuing budget deficits comes from national sources. Governments thus find themselves torn between global forces and national elections, between their desire to create a flourishing national economy and their insight that the world market cannot be fooled for any length of time.

While all of western Europe is bracing itself for the unforgiving discipline of the euro, heartache about national identity is also more pronounced – for understandable reasons.

In Germany the debate is just beginning over the dividing line between European integration and the nation state.

The author is director of Stiftung Wissenschaft und Politik, a German foreign affairs and defence policy institute

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Fall of the wall: sparked off a chain reaction

## FINANCIAL TIMES

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Friday, February 28 1997

## Drug policy and the US

Developments in Mexico in the last week provide more disturbing evidence that US demand for illegal narcotics is corroding the political institutions of neighbouring countries.

The arrest of Mexico's chief anti-drugs fighter has indicated the depth to which drug-related corruption has reached into that country's military. Many newspaper articles - some based on possibly questionable US legal testimony - suggest important connections between drug traffickers and politicians past and present.

The damage done by narcotics trafficking stretches beyond Mexico throughout Latin America and into the vulnerable island states of the Caribbean. It is the largest single threat both to democracy and to prosperity in several countries.

Yet it is the US - the world's largest consumer of drugs and no mean producer itself - which sets itself up as judge and jury of other countries' contributions to the drug-fighting effort. This is the annual exercise known as "certification".

Those countries which are decertified - such as Colombia last year - face economic and possible trade sanctions. Some governments may be deemed not to be co-operating sufficiently, but exempted on national security grounds from sanctions. The administration is under strong pressure from

some legislators to point the finger at Mexico, its partner in the North American Free Trade Agreement. It will announce this year's verdict soon.

Clearly, the US has an important interest in combating drug traffic. Supporters of current policy argue that decertification induced Colombia to take important actions - such as toughening woefully lenient treatment of convicted drug traffickers.

But the procedure has many flaws. It is inconsistent from country to country, and from one year to the next; it is doubtful whether the US's fluid yardsticks have much relevance to the market for drugs; it sets up confrontation between the US and other countries instead of co-operation; and it reinforces the illusion that the US drug consumption problem is the fault of evil foreigners.

Moreover, the continued plentiful supplies of all types of drugs in the US market suggest that the measures have had little practical effect. An attack on drugs supplies and trafficking can be effective only when combined with serious efforts to curb demand. This in turn requires a significant shift in policy and resources, emphasising prevention, education, treatment and a changed approach to drugs-related crime in the US itself.

## Bill at home

The latest fuss which is exciting the US media about president Bill Clinton is that he used the White House to entertain 938 "friends" over a four year period, to induce them to give millions to Democrat campaign coffers. Mr Clinton will not be brought down by such an impropriety but will be seriously embarrassed. But there is a risk that the media's obsession with sleaze, and the mudslinging which follows, could sour presidential relations with Congress and gum up the legislative process.

The origins of the sleaze-hunt are easy to find. Republicans are nervous because of their narrow Congressional majorities and the apparent failure of the Republican revolution. Mr Clinton has moved to the centre politically. In the absence of a battle of ideas, it is not surprising that a battle of personalities and pique could result.

The Republicans also have skeletons in their campaign finance closet. Access to politicians is freely bought and sold on both sides, but Mr Clinton's aides had more to sell. The investigation which the Senate has now initiated has promised to look at financing misdeeds - not in both parties. If it holds to this resolution the impact on the president will be damped.

Mr Clinton said in his inaugural address: "Let us commit ourselves tonight, before the eyes

of America, to finally enacting campaign-finance reform." In relation to this larger ambition, Mr Clinton's entertainment at the White House and donations from abroad are relatively minor transgressions. They must not be allowed to dominate the real reform debate, which should focus on stemming the tidal wave of cash spent on campaigns: an estimated \$30m in all elections in 1996.

Politicians' appetite for money is driven by the increasing importance of television advertising. In the 1996 Congressional elections, 90 per cent of victors outspent their opponents. Allowing for the extra fundraising ability of incumbents, two-thirds of the biggest spenders won in open contests.

It is too soon to tell whether the overnight-guests affair will have wider repercussions. So far, it has had little effect beyond Washington. Polls say that most Americans do not care if Mr Clinton used the White House to boost his campaign war chest.

The people re-elected Mr Clinton despite much serious allegations about Whitewater, "travelgate" and the FBI files. It would be unfortunate for the US - and the world - if relations between president and Congress were undermined by a lengthy partisan battle over campaign financing.

## Policy studies

Does the UK need more research in media studies, communication, sociology and the performing arts and less in economics, civil engineering, languages, law and mathematics?

R is one of the more controversial questions to emerge from analysis of next year's £3.4bn settlement for higher education announced yesterday. One small part of the changes to the future funding formula points to just that result - an increased allocation of research funds to newer subjects at the expense of older disciplines.

Such a shift is probably needed; provided that it does not go too far. This is partly because of the growing contribution the leisure, service and communications industries make to GDP, and partly a reflection of the research which is actually taking place in higher education.

For similar reasons, more money has been allocated to clinical research and nursing, and less to classics, for example. These changes are being phased in, partly because the Higher Education Funding Council would like a debate on whether it should include a "policy factor" in its research allocations - allowing it to influence research priorities in future.

That debate will be lively - and more controversial than yesterday's overall settlement, which represents a sensible job in a difficult year.

The outcome, broadly, is more

money for the research-led universities and those with high class research, and less in research for the rest. Some will face a painful cash cut.

But by rewarding good performance wherever it is found, the council is managing both to encourage the elite in the leading universities and to allow good performers in the less research-based institutions to survive and prosper, thereby encouraging others to emerge.

In a tight year, the council has also been right to phase in the changes. Over-rapid shifts in income are unlikely to benefit either the winners or losers. The earmarked pot for educational research, focusing on better teaching methods and practice, is welcome, as is the decision to use some of the funds for the former polytechnics to encourage research links with industry and other universities. The latter is one way of ensuring that while selectivity in research funding favours the strong, others can be encouraged to join them.

The settlement announced yesterday, sensible though it is, can only be a holding exercise. The extra funds for the elite will probably hold off the introduction of tuition fees for the coming academic year. But all the big questions about university funding and structure still remain. Sir Ron Dearing's report on the answers, due in the summer, cannot come too soon.

Today Mr P. Chidambaram, India's reformist finance minister, will deliver what will be one of the most widely watched budgets in India's history.

In the five years since Mr Manmohan Singh, his predecessor, set in motion the dismantling of four decades of closed, statist economic policies, India has attracted unprecedented foreign interest. Few better global investment opportunities have emerged since China's opening nearly 20 years ago. India is a land of 850m people, with a reputed 150m to 250m middle-class consumers, and everywhere a sagging infrastructure in dire need of foreign money.

The long-term prospect of the Indian market remains. But it has not proved the gold-rush that foreigners - or India's government - expected. Five years on, foreign direct investment flows form a disappointingly flat curve, rising only from \$1.5bn in the 1994-95 fiscal year to \$2.1bn last year and \$1.7bn for the first nine months of the present fiscal year. This is well short of the \$10bn targeted by the United Front government, and is dwarfed by the \$38bn China received last year. The ratio of actual to approved foreign investment is only 30 per cent.

The figures betray disappointment among many investors, some of whom have found the Indian consumer market smaller than they hoped. "We thought the market was 150m people," says Mr Kimhiro Ito, Sony's business developer in India. "But actually, the number of people who buy branded goods is much less, perhaps the size of Vietnam or Malaysia."

In pursuing big infrastructure projects in power, telecommunications and transport, investors have found the going far tougher than expected. They have discovered an investment process often dogged by burdensome and unrefined legislation, as well as bureaucratic requirements that remain arduous and complex. Politically, they encounter residual nationalist resistance to wider economic opening.

In particular, there is pessimism about the momentum of reforms, given the strong influence of left-leaning members in the 13-party coalition - an odd bedfellow of free-marketisers, communists and populist regional politicians.

Mr Chidambaram and Mr Muralidharan - the industry minister and one of the administration's few convinced liberalisers - have done much to broaden and simplify the investment regime during the government's eight months in office. Mr Chidambaram is promising more reforms in today's budget.

But after the initial explosion five years ago of moves to deregulate industry, liberalise financial markets, cut and rationalise taxes and tariffs, and open up sectors such as power and telecoms to foreign investment, the pace - and daring - of India's reforms has abated.

Many international investors believe the dismantling of India's socialist legacy is, at best, half achieved. It may, they say, take an outright economic crisis - like that which in 1990 both prompted and permitted Mr Singh to act - to force the pace of pending

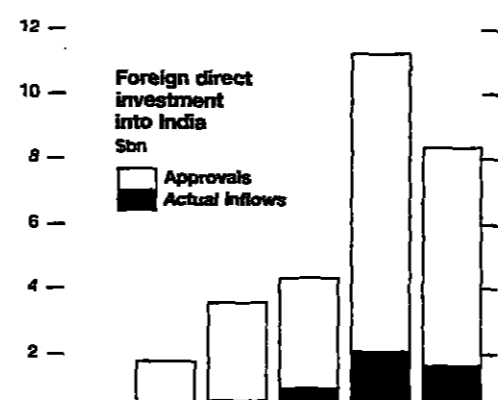
## Stuck in second gear

Today's Indian budget must speed up reforms if it is to revive confidence in the modernisation process, argues Mark Nicholson

## Investment flow into India: a trickle not a flood



P. Chidambaram, finance minister



Source: World Investment Report 1996, UN/The Economic Survey, Indian Finance Ministry

FDI inflows by country					
\$m	1991	1992	1993	1994	1995 est
China	4,366	11,156	27,515	33,787	37,500
Hong Kong	538	2,051	1,667	2,000	2,100
India	155	233	874	998	2,100
Indonesia	1,482	1,777	2,004	2,109	4,500
South Korea	1,180	727	588	809	1,500
Malaysia	3,998	5,183	5,006	4,348	5,800
Singapore	4,879	2,351	5,016	5,588	5,302
Taiwan	1,271	879	917	1,375	1,470

- To September

reforms. These include liberalisation of insurance, reform of labour laws, and the privatisation - or at least a thorough commercialisation - of India's sick public sector utilities and corporations.

One south-east Asian diplomat chooses the metaphor of India's lumbering Ambassador car to describe the speed of reforms. "We thought they would move quickly from first, second, third into fourth gear, but they've got stuck somewhere between second and third," he says. "It's like an Ambassador riding along an Indian country road. They seem afraid to move into fourth gear for fear of the pot-holes."

The shift in foreign sentiment was illustrated this week with news that Siemens, the German electrical engineering group, is to restructure its 51 per cent-owned Indian subsidiary. The move is to staunch losses arising from what the company has described as an over-ambitious reading of India's power and telecoms opportunities.

Being in India "is like the prisoner's dilemma," says an executive with a western power company, four years into contractual negotiations with state agencies to complete a 1,000MW project. "We all want someone to walk out, and help shake things up. But no one wants to be the first."

But the size of the market that drew investors to India in the first place is likely to keep most

of them in the country. Instead of walking out, some investors are extending the timeframes of their original business plans, or quietly scaling down business development offices. Examples of companies that have reined in their original aspirations include US West, the US telecoms company, AES Transpower, the US power group, and Seagrams, the Canadian drinks company.

It is not all bad news. Korean companies, notably Daewoo and Hyundai in the motor sector, have recently announced big investments. Japanese companies, too, are hatching new investment plans. Toyota, the carmaker, has said it is committed to entering India. Honda, its rival, has already done so, announcing plans to manufacture its Honda City car near Delhi. The appearance of 135 Japanese companies at a Delhi trade fair earlier this month was the biggest such gathering by potential Japanese investors in the past five years, according to Japan's industry ministry.

But Japanese companies take a longer-term view. "There are too many players in the same market in the same period," says Mr Yoshiaki Nakamura, Honda's Indian marketing director. "But if we have prepared the ground, we will have an opportunity here... Fortunately our management allows us to take the risk, and take the time."

Neither are reforms entirely

bogged down. The government points to a recent flurry of measures, including opening the government bond market to foreign investors; de-licensing new industries, such as consumer electronics; broadening the number of industries eligible for automatic foreign investment; moves to deregulate the coal industry; and impending new company and takeover laws.

Meanwhile, the Indian economy remains strong, with the latest figures putting economic growth at an annual 7 per cent in the two years since 1994. This year strong agricultural output appears to have offset an industrial slowdown to produce an estimated 6.8 per cent rise in gross domestic product.

Mr Chidambaram will certainly spotlight these achievements in today's budget speech. Less clear, though, is whether he will be able to wrestle free of the internal political contradictions of his coalition government and accelerate the pace of reforms.

There is little doubting his personal will, but the combined political determination of the government coalition is in question. Ever since the coalition was formed in May, the government has insisted there is a "consensus" over the continuation of reforms. India, however, will reform "at its own pace", Mr H.D. Deve Gowda, the prime minister, told the World Economic Forum gathering in

Davos, Switzerland, this month. "There is certainly consensus on the things which have been done already," says Mr Kirit Parekh, economist and director of the Indira Gandhi Institute of Development Research in Bombay. "There is also a political consensus about the things which will not be done." Among these, Mr Parekh includes any large-scale privatisation, anything "attacking" organised labour and any vigorous attempts to cut subsidies.

The government has been unable to hide serious rifts over critical reform issues. Mr Chidambaram is publicly committed to opening the state-monopoly insurance sector, for instance. He is opposed by members of his own cabinet and the Communist party (Marxist), whose external support sustains the United Front government in power.

On aviation policy, the finance, industry and commerce ministries all favour allowing foreign airlines to invest in the sector. In particular, they want to approve a long-pending joint venture proposal by Tata, the diversified Indian business house, and Singapore Airlines to set up a new private airline. But Mr C.M. Sharma, civil aviation minister, opposes this. He says that foreign capital is allowed, though foreign airlines themselves should not be permitted to take stakes in domestic carriers.

Moreover, the government appears to have lost the political courage that enabled it, in the early months of office, to raise state-controlled fuel prices. It has since balked at a second round of rises, even though the subsidy bill is approaching \$4bn.

Such policy conflicts have led many observers to conclude that the political straitjacket on reforms might best - and perhaps only - be ripped away by an economic crisis. "It might be a good thing if we rushed headlong into a crisis," says Mr Parekh. "Then quick reforms would become unavoidable."

A crisis of some sort cannot be ruled out. This could be prompted by a looming debt trap resulting from the rising cost of government debt - a stubborn 90 per cent of GDP - and high fiscal deficits. Serious problems could also arise from an increasingly critical shortage of electricity, with annual additions to generated output of about 3 per cent falling far short of the yearly 10 per cent rise in demand.

Many investors are convinced, though, that the reform process will inch along and muddle through, rather than being propelled forward by a crisis. "We'd like to see the pace of change accelerate. But I just don't see it happening," says the representative of a western insurance group. "Instead, I see the government taking tiny, baby steps - each prompted by the need to tip-toe clear of the abyss."

Of course, Mr Chidambaram might surprise everyone. A clever, proud and ambitious politician, his temperament is not inclined to "tiny, baby steps". Given the fragility of his government's power, history may not offer him another chance to ensure his place as an architect of India's modernisation. All eyes will be on the finance minister.

## OBSERVER

## Harmonious monickers

All credit to RTZ-CBA for shedding one of the ugliest blot on the corporate namescape. What does it matter that the new monicker - Rio Tinto - alludes to Spanish copper mines which were sold a generation ago? Anything is better than the tongue-twisting combination of initials that has been taxing investors since last year's Anglo-Australian mining merger.

While Rio Tinto last appeared on the company letterhead back in 1964, when RTZ was formed, the fashion for adopting initials reached its height in the 1970s.

The decade of flared trousers and kipper ties left a legacy of uninspired corporate names including BTR, RIOC, and BAT Industries. As late as the 1980s companies were still at it, though: what was wrong with Quest Keen & Nettelfolds, anyway?

Of course not all companies succumbed to the acronymic temptation when they wanted to signal a break with the past. Remember how Messy-Ferguson reinvented itself as Varsity Corporation? Burroughs and Sperry took plenty of stick for changing to Unisys, but at least they were brave enough not to plump for

SS Group. Let's hope Rio Tinto stimulates other companies to start rolling back the years. ECC has already done the decent thing by turning itself back into good old English China Clays. What price a return for Brin's Oxygen Company, Investors in Industry, or even Baifische Anilin & Soda-Fabrik?

## Treasure island

Seasonal stiff breezes buffeting Guernsey are being augmented by blasts of indignation from John Roper, head of the Channel Islands' Financial Services Commission.

At a debate on ERM this week both Sir Alan Walters, former economic guru to Mrs Thatcher, and Alan Black of Price Waterhouse caused a stir by suggesting that a European economic and monetary union would be bad news for the tiny tax haven.

While the two speakers are diametrically opposed on most Euro-issues - Sir Alan remains a fervent sceptic - they seemed to agree on one point, Guernsey could lose its low-tax allure if the UK signed up to a single currency, while the island's position would be "anomalous" if it stayed out of ERM.

Roper has taken time out from clearing his desk - he retires today - to remind financial folk

that Guernsey "will continue to set its own taxes as always" even if ERM goes ahead. And if Guernsey's position is anomalous, he fumes, "what about Switzerland?"

## Playing along

Congratulations to historic harpist Anna Lekkes who yesterday became the first woman officially to become a member of that all-male bastion the Vienna Philharmonic.

Not that Lekkes hasn't earned her spurs; she has been plucking her stuff with the Austrian orchestra since 1974. But because she was a woman she was not allowed to become a full member of the highly-regarded but resolutely all-male club.

But there is a word of warning. Although the orchestra voted after a four-hour meeting that it was finally time to admit women - after pressure was exerted by Austrian Chancellor Viktor Klima, among others - there was a hint that Lekkes might have to continue as the only female member for a while.

There will be auditions in the summer for a tuba, a trumpet, a double bass and a solo viola, says orchestra spokesman Wolfgang Stuster. And while women will be free to compete in any of these categories, tubas and trumpets are instruments not normally favoured by

women. Now does that sound familiar?

## Down and out

Spare a thought for traders on Manila's stock exchange. Trading lasted a grand total of 18 minutes yesterday before computer technicians admitted defeat and business was suspended. The loss of business is estimated at over \$100m.

A few years ago it was the legendary "brown-outs" which wreaked havoc with Philippine business and industry as power shortages lasted up to 12 hours. President Ramos counts the end to the power crisis among his stoutest achievements. These days, however, the problem is a "computer malaise" which shuts down the Manila bourse several times a year.

"I'm delighted, actually," says one foreign broker enjoying his unexpected respite. "The market has been horizontal lately. We're waiting for foreigners to come back and partake."

## Time stands still

Looks like the Guinness finally got to them. A colleague purchased a fascinating calendar - "Georgian Doors of Dublin" - in Ireland last year. It's bound to become a collector's item, the month of February has 30 days.

## Financial Times

## 50 years ago

Rhodesia Railways Salisbury, 27th Feb. A decision regarding the proposed nationalisation of the Rhodesia railways appears to be imminent. The Premier, Sir Godfrey Huggins, questioned in Parliament about his recent visit to London, said that the visit to Britain was to clarify certain matters concerning the nationalisation of the railways. "There are very big financial issues at stake," he said, "and nothing should be done to prejudice the issue in view of the fact that, unless the railways are nationalised, the railway company will have to raise a large sum of money to enable the railway to carry on and develop."

Argentine Market Confusion Unprecedented conditions prevailed in the Stock Exchange market for Argentine railway securities yesterday when, following the official announcement of the split-up among the companies of the £150,000,000 being paid by the Argentine Government, jobbers decided to deal only by negotiation on paper - that is, by marrying orders. This "system" itself collapsed owing to the large numbers of brokers anxious to deal. Brokers themselves set up a market in the House, doing a big business direct with one another in the manner of the New York Stock Exchange.



## RECRUITMENT

From cars to training, an intranet aids corporate communication, says Richard Donkin

## A dip into the virtual car pool

It is a free market in which the average male British executive more than the consideration of the size and type of company car to which he is entitled.

So it is no surprise to find a wide variety of models on Silicon Graphics' intranet site during a visit to its City of London offices last week.

"We found that people were spending a lot of time collecting information on company cars from outside sources when it came to the time they were due to change," says Bob Dukes, manager of the City office.

The car list allows them to access the information quickly and easily. We have done the same with stock options because people like to keep up to date with how their options are doing.

Intranet sites, which like this one can be "locked off" portions of an Internet site for use only by employees, can be designed simply as an internal forum for views and messages, or they can, as at Silicon Graphics, be adapted to communicate company policies and services.

Silicon Graphics' intranet now includes training

courses, sales information and updates about products.

"We no longer need to fly down someone from Scotland, for example, to undertake training on a new product in London. They can see and download a presentation on the intranet," says Dukes.

The entry point to the company intranet, nicknamed Silicon Junction, allows access to more than 100,000 pages running anything from the daily lunch menu to presentations on management policies or new products. Individual employees can also develop their own pages in which to describe their experience and skills.

Edward McCracken, Silicon Graphics' chairman and chief executive officer, says the intranet has become the backbone of company-wide communications.

Like many other companies, Silicon Graphics posts job vacancies on its general Internet site, including

application forms for candidates to fill in.

"If someone had the ability to work for Silicon Graphics they would stand a 10 times better chance of getting that job if they showed the initiative to master the technology involved in applying on the Web," says Dukes.

As a general job-finding aid, the Internet has become an invaluable tool. Not only can potential applicants study a target employer before applying, they can see externally advertised vacancies. A browse on the Net this week turned up vacancies on many company sites. The BBC, for example, had a long list of posts plus information on how to apply.

The big computing companies tend to have the most sophisticated sites but others are catching up quickly. Arthur Andersen, the accountancy firm, has a particularly attractive site.

The Internet jobs market, however, can work both

ways. Graduate recruiters may not have the time or inclination to check out university sites. But if they do they may find out a few things about potential or existing candidates that tend to be omitted from application forms. At Brunel University, for example, a quick search among students' personal home pages proved far more revealing than the sanitised and well-drilled entries that appear on application forms.

It was interesting just how much intranet information on the Silicon Graphics site would normally come under the administration of personnel. Is this yet more evidence of the automation of the personnel function? Dukes believes that providing company car information represents a big saving for the company. An even bigger one would be to get rid of company cars entirely. But that is unlikely - the love of

cars and computers tends to be mutually inclusive.

report on directors' pay.

According to figures supplied by the Top Pay Research Group, a consultancy that advises independent directors, chairmen of companies with turnover between £11m and £30m saw their fee income rise 84 per cent. Fees for those heading companies with turnover between £30m and £100m rose almost 50 per cent. Non-

## More time, and money, for chairmen

Company turnover (£m)	0-10	11-30	31-100	101-500	501-1,000	1,000+
Median days:						
Meetings	10	12	12	13	16	18
Preparation	8	10	12	12	13	15
Other	8	13	21	15	10	17
Total Days	26	35	45	45	48	50
Fees (£'000s)	30	40	50	55	78	110
Per day (£)	1,154	1,143	1,111	1,222	1,562	2,200
Increase on 1996 (%)	244	523	355	487	134	200
Increase in 1996 (%)	27	84	47	38	9	10

Source: Top Pay Research Group

executive directors' fees rose overall 6.8 per cent. Non-executive directors in smaller companies typically earn £17,000 a year, rising to £35,500 in large groups.

Board meetings are lasting longer than they used to do. Three to four hours seems the average, reported by the survey. A fifth reported average meetings of five to six hours. The table left shows fee rates and median days devoted to meetings among chairmen in various sized companies.

*The Independent Chairman and Non-Executive Director Survey, Top Pay Research Group, 9 Savoy Street, London WC2R 0BA, tel 44 171-836 5831, £50*

**IBM is just the job**

Universum, the Swedish research company that specialises in graduate and stu-

dent surveys, has been looking at the employment preferences of students in central Europe.

The research, covering just over 1,000 students in eight top business or engineering schools in Poland, Hungary and the Czech Republic, found banks and financial institutions were the most sought-after class of employer, although international Business Machines, the US computer company, was the most popular of all.

When asked to select the companies they would like to work for, the top 10 choices were: IBM, BMW, Microsoft, Arthur Andersen, Siemens, Andersen Consulting, Sony, Hewlett-Packard, Citibank and Coca-Cola. Neither McKinsey nor Boston Consulting - the top two choices in Universum's Europe-wide graduate survey in 1996 - were in central European students' top 25.

Most of the top 10 could be classified as business equipment companies, whereas graduates' Europe-wide leanings towards management consultancies.

*\*\*Universum, PO Box 7053, S-103 86 Stockholm, Sweden, tel (46) 8 679 4800*

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## Acquisition Finance

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The Associates in all three areas will undertake detailed financial analyses, including cashflow modelling, valuations and industry analyses, and will assist in the negotiation of transaction documentation and deal closing. They will work closely with senior team members, gaining client exposure and undertaking substantial travel.

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## ROMANIA

### MINISTRY OF COMMUNICATIONS

PRIVATISATION OF ROMTELECOM  
APPOINTMENT OF ADVISOR TO THE MINISTRY OF COMMUNICATIONS  
INVITATION FOR EXPRESSIONS OF INTEREST

This invitation for Expressions of Interest follows the decision to implement the Strategy for restructuring and development of the telecommunication sector in Romania and attracting a strategic investor for RomTelecom.

The Ministry of Communications now intends to appoint an advisor for the privatisation of RomTelecom through the participation of a strategic investor to be selected by open tendering. The selection of the strategic investor is scheduled to occur in the first half of 1998. It is intended that RomTelecom will meanwhile be transformed from its present status as a Regie Autonome to a joint stock company. The assignment for the advisor will be funded from RomTelecom resources.

The main tasks of the advisor will be to provide advice and recommendations to ensure the privatisation process for RomTelecom is optimised consistent with the Ministry's strategy for the restructuring of the sector. In particular to

- prepare a detailed programme for the privatisation process leading to the participation of a strategic investor in RomTelecom
- review the policy, legal, regulatory, licence, tariff regime and privatisation framework
- conduct business, corporate legal and financial due diligence
- develop a valuation of the company and sale strategy
- prepare a Memorandum of Information and all related documentation (Charter amendment, Share Sale & Purchase Agreement, Shareholders Agreement, etc) for inviting tenders
- provide all necessary support for tender invitation and evaluation
- draw up all legal documentation required in preparation for participation of the strategic investor and for its engagement
- assist in all actions for closure

The assignment is expected to commence in April-May 1997 and continue through to the engagement of the strategic investor.

Tendering for this assignment is open to firms from any country. Interested firms are hereby invited to submit expressions of interest. A short list of qualified firms will be formally invited to submit proposals following this invitation.

In order to determine the capability and experience of firms seeking to be shortlisted, the information to be submitted with expressions of interest shall include:

- company profile, organisation and staffing;
- details of experience of similar assignments for the engagement of a strategic investor undertaken in the last five years, including the sector and country involved, drawing particular attention to experience in the telecommunications sector;
- CVs of staff who could be available to work on the assignment.

Six copies of the above information in English should be submitted to the address below in a sealed envelope marked "Expression of Interest for RomTelecom Privatisation Advisory Services", to be received no later than 10th March, 1997, 12:00 hours (local time).

ION MATEI  
Counsellor to the Minister  
Ministry of Communications  
14-16 Libertatii Ave.  
70060, Bucharest 5  
ROMANIA  
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Note: First published on 26th February 1997 in UK edition.

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The individual will have an appropriate top level degree, plus an MBA or equivalent, and significant experience (a minimum of three years) in trading, managing and pricing currency options. He/she must be able to demonstrate familiarity and experience with dynamic replication techniques on basket/exotic options.

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environment, you should be able to demonstrate the ability to develop, market and close innovative international financing transactions and should have an appreciation of international tax regulations. In addition you should be a creative thinker and should have initiative, good judgement and well developed interpersonal skills.

This position offers excellent career prospects. An attractive and comprehensive remuneration package commensurate with the responsibilities of this position will apply.

Please write stating how you meet the requirements and enclosing a CV to Des McDermott, HAY-MSL Management Consultants, Newmount House, 23-24 Lower Mount Street, Dublin 2, quoting ref. EX80036.

**MSL**

HEAD OFFICE LONDON

TEL: 0171 487 5000

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Candidates will need to have a proven track record in mergers and acquisitions. You will have excellent analytical skills and a sound financial background, probably gained through your experience in a senior finance function of an investment bank or within an established acquisitions team. If you have an MBA then so much the better.

Excellent management, interpersonal and presentation skills will also be necessary, together with good regional knowledge and fluency in both English and Arabic.

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The financial package will reflect the importance of this role within SBC Warburg. Replies will be treated in the strictest confidence.

To apply please send a full CV and a covering letter to: Anthony Richardson, Executive Director, SBC Warburg, PO Box 652863, Benmore 2010, South Africa. Telephone: 002711 322 7000. Fax: 002711 322 7383.

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## CORP

Merchant Bank

Our client is a Merchant Bank in the area of Commercial Finance, Investment and Leasing. It is a leading financial institution operating across the United Kingdom and internationally.

As part of its expansion, it wishes to appoint a Managing Director to its Scottish corporate finance division. Candidates should have a

Applications, in the strictest confidence, to: The Recruitment Consultant, 100, Fenchurch Lane, London EC3A 3DF.

## BROADVIEW ASSOCIATES

## IT/Telecoms/Media M&amp;A

## London Based

## £Highly Competitive

## THE COMPANY

- Broadview Associates is the global leader in Information Technology M&A, with clients spanning all sectors of the IT/Telecoms/Media Industries.
- Broadview operates from offices in Fort Lee, San Mateo and London.
- During 1996 the company completed 88 transactions across the IT/Telecoms and Media sectors.
- As part of our commitment to further develop our pan-European coverage, we are seeking to recruit at least four associates.

Interested candidates should apply by submitting their Curriculum Vitae to our retained consultants, John Axworthy or Jonathan Gill at Axworthy Oliver Associates, St Martins House, Priory Court, Pilgrims Street, London EC4V 6DR or alternatively call them on 0171 329 3434. Fax: 0171 782 0200. Email: jaxworthy@aol.co.uk.

## THE ROLE

- Successful candidates will be based in the London office serving our European client base.
- The role of associate at Broadview is unique among many other investment banking firms in terms of deal making experience, project responsibility and client exposure levels.
- The successful candidates will execute cross-border mergers and acquisitions in the IT/Telecoms and Media sectors.

## THE CANDIDATE

- A high calibre graduate holding an MBA from a leading business school, or an equivalent professional qualification.
- A minimum of two years cross-border M&A experience gained within a leading Investment Bank.
- Fluency in a major European language in addition to English is ideal.
- Candidates must have a strong interest in the technology sector.

**Axworthy  
Oliver  
Associates**

Insurance Analyst  
£Excellent City

Our client, a major European investment bank has a premier position across research, market making and sales. There is currently an outstanding opportunity for a young professional to join our Composite Insurance research team. This position will require you to conduct in-depth sector and company analysis and to have the confidence and credibility to effectively communicate your research and advice to our sales professionals and clients.

You will have a good degree and possibly be a newly qualified Chartered Accountant or Actuary, with significant experience in the general insurance sector. You must also be a team player with proven written and verbal communication skills.

If you are interested in applying for this position please write, in the first instance, enclosing your CV and salary details to: Ben Wood, Vine Potterton Ltd, Suite 26, Ludgate House, 107-111 Fleet Street, London EC4A 2AB, by Friday 25 March 1997.

**VINE POTTERTON  
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## SPACEBEL

SPACEBEL, set up in 1988, is a Belgian group of companies with a major interest in technology applications for aerospace. Today, the SPACEBEL offices in Brussels, Flanders and Wallonia employ more than 150 staff in two divisions: Information Technology and Optical Instrumentation. SPACEBEL intends to extend its presence on the space market and even on new markets where its current technological leadership may help provide new customer solutions. SPACEBEL therefore wishes to secure for its Brussels' and Flanders' offices the services of a (m/f):

## BUSINESS ENGINEER SPACE MARKET

with experience of IT-solutions

## Function:

- As a recognised space business specialist, you will actively prospect the European space market in order to identify new business opportunities and to promote SPACEBEL's highly specialised technical skills and resources.
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- As civil or commercial engineer, you have a good knowledge of software development in an industrial environment.
- You are familiar with the European space market and have an experience of a few years in the leading of projects for space applications.
- You are perfectly fluent in English. The knowledge of other major European languages is a real asset.
- You are able to negotiate at various levels, you can work with a wide autonomy and are ready to travel frequently for short periods of time throughout Europe.

SPACEBEL offers you:

- A highly responsible function within a growing company that has acquired an excellent reputation on the European market.
- The know-how and high-level expertise of its staff, the facilities and status of an important international group; an extensive range of international contacts.
- An attractive salary package related to your experience and your own performances, as well as other fringe benefits.

Is this the job you are dreaming of? Then please send your application letter and your résumé without delay to: **Mercuri Urval**, avenue Hippocrate 16 at B-1932 Woluwe-Saint-Etienne (Belgium); kindly mention the reference number S97.1038/FT on both letter and envelope.

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Our client is a European-based global investment bank headquartered in London.

## The Position

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Knowledge of the high technology sector is essential. Five years or more M&A experience is required, which could have been gained from an advisory group within an investment bank, or from a speciality boutique. Alternatively, experience could have been gained in the corporate development side of a technology company, or a high-tech consulting firm. Candidates should have superior marketing skills, as well as mandate experience.

## The Benefits

Competitive salary. Additional benefits will include bonus, car allowance, health insurance, and non-contributory pension.

To apply please forward a copy of your CV with a covering letter quoting this publication and its date to Sarah Meadows at The Wreay Partnership.

## THE WREAY PARTNERSHIP

150 Regent Street, London W1R 5FA  
Tel: 0171 734 9571 Fax: 0171 494 3634  
Email: 106562.1175@compuserve.com

CORPORATE FINANCE  
MANAGER

## Merchant Bank

## Scotland

Our client is a Merchant bank which operates in the areas of Commercial Banking, Corporate Finance, Investment and Leasing. The Bank is part of a blue chip financial group and operates across the United Kingdom and sometimes overseas.

As part of its structured growth, the Bank wishes to appoint a Manager to be based in their Scottish corporate finance operation. Candidates should have either a relevant

professional qualification together with a minimum of 2 years practical experience of listed securities work, including mergers and acquisitions or at least 4 years postgraduate City experience gained in investment banking. Some experience of or the desire to be involved in new business presentations is an advantage.

This is a rare opportunity to build a career in Merchant Banking from a Scottish base with a UK perspective.

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Applications, in the strictest confidence, including salary details and quoting reference 96/10/FT to Lynn Mainhead or Richard Fletcher, Fletcher Jones Ltd, Hanover House, 45/51 Hanover Street, Edinburgh, EH2 2JF. Telephone: 0131-226 5709. Fax: 0131-220 1940.

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In complete confidence, please write with CV to Penny Strawn, Simpson Crowden Consultants Limited, 97/99 Park Street, London W1Y 3HA. Telephone: 0171 629 5909. Fax: 0171 408 0608.

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Alternatively, you manage a substantial gas or electricity portfolio, perhaps as part of a larger energy trading activity, and have a clear perspective on the UK and, ideally, international energy markets, encompassing all elements of the value chain.

In addition, we seek a number of talented traders and negotiators, with experience of derivatives trading or a background in negotiation of high value, wholesale energy contracts, to trade both on the day and negotiate deals from one week to 15 years.

You may currently manage a busy commodity trading desk, be an upstream oil/gas negotiator or be trading gas already and feel that your expertise could be put to better use in a less constrained environment.

Our client has established an impressive presence in energy markets in the UK and, more recently, overseas. It has great plans for the future and seeks the best skills to help to achieve them. In return, it offers unequalled career prospects and significant personal reward.

All positions are based at its corporate headquarters in the South East and relocation assistance is available.

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**THE COMPANY:** Our client is a well known and respected London based western financial institution with an international office network. Their core activities include Trade Finance, Project Consultancy and Structuring, Documentary Credits, Forfeiting, Asset-based Financing, and Treasury and Trading. Due to expansion to service new mandates, they are seeking to appoint several Project Finance professionals to join an existing team.

**THE ROLES:** It is anticipated that suitable individuals will have a minimum of five years' experience in project finance. They should ideally be able to see projects through from start to finish. To achieve this they will need expertise in developing relationships with clients, preparing detailed financial plans, assessing the coordination and implementation of the syndicated loan facilities, raising and coordinating with other departments of the bank (conducting the monitoring of projects, and supervising work carried out by junior staff on a day-to-day basis).

**THE PEOPLE:** Suitable candidates will be proactive individuals who are willing to travel within Europe and the former Soviet Union. They will have a strong academic background, and will be computer literate. They should be comfortable with cash flow modelling and documentation.

The opportunity to work within an expanding international team together with a generous remuneration package will be offered to successful applicants.

Please send a full resume with covering letter quoting ref. FT3077 to:  
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Tel: +44 (0) 171 637 2001 Fax: +44 (0) 171 637 0949.



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### Capital Markets Lawyer (ref. FT1086)

To join the team of lawyers in the Office of the General Counsel working with the Bank's Treasury Department, to handle as primary lawyer the legal aspects of a broad range of cross-border capital market transactions.

Work experience: five to eight years in a leading international law firm and/or a leading investment bank or other financial institution required. Substantial expertise in complex structured transactions, derivatives (including collateralised transactions, total return swaps and credit derivatives) and debt products including MTN programmes required.

### Telecommunications Lawyer (ref. FT1087)

Specialist in telecommunications law and regulation to join the Office of the General Counsel; advise on legal and policy issues and assist in developing the Bank's approach to regulatory reform in the telecommunications sector; assess existing telecommunications regulatory systems in the Bank's countries of operations; design and implement legal technical assistance projects.

Work experience: at least five years of work on telecommunications issues in an international law firm, the legal department of a major international telecommunications company or the regulatory body of an EU member country required. Experience in financing transactions in the telecommunications sector is desirable.

General Requirements: Education: law degree from a leading university required; post graduate law degree from a leading university in another country desirable; Skills: excellent legal drafting in English required; Languages: excellent spoken communication in English required; fluency in another European language desirable. To apply, please write in English quoting reference number to: Mr. Brian Mahony, Principal Manager - Human Resources, European Bank for Reconstruction and Development, One Exchange Square, London EC2A 4EJ, England. All applications will be acknowledged. Please help by not telephoning.

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These changes are bringing outstanding results with the whole practice at full capacity, servicing existing clients who are increasing their corporate activity, new clients whom they are winning constantly and high value advisory work which, unlike process routine, requires partners or possibly senior managers to identify, win and operate.

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## INVESTMENT PROFESSIONALS

The Henry Cooke Group is an independent financial services company with subsidiaries specialising in investment management, corporate finance, unit trust management and financial planning. As a result of expansion in the Manchester investment department, we wish to make a number of new appointments.

#### Account Executives: Charities and Private Clients

The investment department is divided into specialist teams.

Our charities business is expanding rapidly and it is envisaged that the successful applicant will assist the head of the team in developing existing client relationships and contributing to the drive to win new business.

The private client teams manage the investments of discretionary and advisory clients directly as well as acting on behalf of solicitors and accountants. We require account executives to manage and develop new and existing client relationships.

Ideally, applicants will be graduates and MSI qualified. Relevant experience would be desirable. Personal attributes such as commitment to quality, professionalism and an ability to work as part of a team are essential.

#### HENRY COOKE

Tel 0161 834 2332  
Fax 0161 839 9649  
e-mail henry.cooke@dia1.pipex.com.

#### Compliance Manager

The compliance team functions as a source of advice and expertise on regulatory matters and has an active approach towards day-to-day procedural aspects of the business. We wish to recruit a compliance manager who will report to the compliance director.

Although the main concentration will be on our private client activities, the successful applicant will be responsible for ensuring that each of our businesses is conducted in accordance with the rules of the appropriate regulator.

Ideal candidates will be graduates, but it is more important that they should have an extensive knowledge of regulatory requirements. Good written and verbal presentation skills are essential. The position is at a senior level and experience of the workings of a private client securities business would be an obvious advantage.

These positions will be based in the Manchester head office and a competitive package will be offered. Please send your application to Ted Geraghty, Personnel Manager, One King Street, Manchester M2 6AW.

Henry Cooke is the trading name of Henry Cooke, Limited and Henry Cooke Corporate Finance Ltd, members of the London Stock Exchange, regulated by SFA, and of Henry Cooke Investment Funds Ltd, a member of AIFP, regulated by BMO.

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City ~ c.£60,000 + Car Allowance + Banking Benefits

##### The Role

- Supervising a team of five people preparing of daily P/L and B/S information across all the firm's trading groups.
- Close liaison with trading functions and middle office.
- Implementation of new systems.
- Continued development of management reporting to meet the demands of changing business requirements and the market.
- Dealing with the firm's corporate tax affairs.
- Preparation of statutory accounts.

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- Innovative self starter.
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City ~ c.£50,000 + Car Allowance + Banking Benefits

##### The Role

- To meet all the firm's regulatory reporting requirements.
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- Management of a dedicated Regulatory Group.
- Project management.

##### The Individual

- Pro-active problem solver.
- Experienced in Bank of England reporting.
- Knowledge of Capital Adequacy rules.

*The salary for either position will not be a limiting factor for the ideal candidates.*

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We are seeking to recruit a high calibre, personable, executive with marketing skills. A high degree of technical expertise in mergers and acquisitions is assumed. The successful candidate will probably be in their late 20s to early 30s.

Applicants should write to Hugo Haddon-Grant at:

Cavendish Corporate Finance Limited  
12 Cavendish Place, London, W1M 0NT

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#### SENIOR U.S. GOVERNMENT BOND TRADER

Our client, the broker dealer arm of a major international Bank is seeking an experienced arbitrage trader in US Government Securities.

Responsibilities will include arbitrage trading, market making to European and Asian accounts from London, trading US risk positions during European time frame and an ability to liaise closely with group companies in Europe and Asia.

Candidates will have at least 10 years' experience of US fixed income markets with a broad knowledge of the US Treasury cash, futures and options markets including Government Sponsored Enterprises and Money Market products. Far Eastern work experience as well as a knowledge of Chinese and/or Japanese would be advantageous.

The salary and benefits will be highly competitive and consistent with current market practice.

To apply please send your CV in strictest confidence to:  
Ray Turnbull, Partner, Capital Market Appointments.

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# 78%

Last year, an American Management Association Survey indicated that 78% of managers thought globalization was the most important issue facing them.

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Price Waterhouse's global financial and cost management practice is going from strength to strength. Working closely with the CEO's and CFO's of multinational corporations, PW is offering the new skills, structures and technologies that will transform the way big businesses approach their markets. We are helping companies to adapt and adopt the latest management thinking: we are particularly well positioned to do this because much of that thinking originated within PW.

We work with household names in a range of sectors, including energy, transport, high technology, financial services, and entertainment, media and communications. PW is recognised as a global leader in costing and activity based management, especially since the launch of our own ABM package - ACTIVA. This area of our business is growing at a phenomenal rate, which is why we are looking for a number of Costing/ABM specialists to join our team.

The people who join us will come from a variety of backgrounds, reflecting the intentionally multicultural nature of our capability. For example, you could be a qualified management accountant, currently working in management or consultancy with blue-chip organisations. You must be familiar with a range of strategic costing tools and techniques, including ABM. We are also interested in MBA-qualified candidates with a special interest in ABM and detailed understanding of costing issues in a specific industry. Finally, we also welcome systems people from industry or consultancy who have practical experience of managing ABM implementation projects and are keen to expand their knowledge in financial management or to develop into a wider consultancy role.

Consultancy is not for everyone, but for those who abhor routine, enjoy travel and are keen to be part of a talented,

multicultural peer group PW offers a rewarding arena for professional development. We guarantee a quality and diversity of experience that will give you job satisfaction and continuing personal growth. Our substantial investment in training, development and technological infrastructure will keep your expertise at the cutting edge of management thinking. There is excellent scope for promotion into management and senior operating roles and you will relish the opportunity we can provide to work in collaborative international teams which are delivering global solutions.

Salaries will be in the range of £40,000 - £70,000 and will be supported by our innovative, flexible benefits package.

Please write with a detailed CV and salary details, quoting reference MCS 2030, to Tony Jackson, Recruitment Manager, Price Waterhouse Management Consulting Ltd, No.1 London Bridge, London SE1 9QL.

**Price Waterhouse**  
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## FINANCE DIRECTOR

A Growth-Orientated Divisional Role

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Considerable Bonus Potential

Our client is a leading quoted international contracting group. Following a recent reorganisation, there is a requirement to recruit a Finance Director for their largest and most diverse division.

#### THE POSITION

- Executive responsibility for the Division's UK and international financial management and control.
- Provision of first class commercial and strategic direction and key input into the Division's acquisitions and organic growth.
- Interaction with Operational Board Directors to ensure that performance measures are understood and achieved.
- Key involvement in identifying innovative financing structures to match customer requirements.

#### QUALIFICATIONS

- Graduate qualified accountant, aged early 30s to early 40s, with broad commercial and line management experience.
- Proactive and energetic style, capable of communicating effectively with all levels of an organisation.
- Experience of a multi-site group environment, with an international outlook and motivated by business development/M&A.

If you are interested in this exceptional opportunity, please write enclosing full career and current salary details to the advising consultant, Jon Boyle at Questor International Limited, 3 Burlington Gardens, London W1X 1LE, quoting reference 2173. Tel 0171 292 8300. Fax 0171 287 5457. E-mail: Jon@questorint.com

**QI**  
QUESTOR INTERNATIONAL  
A Michael Page Group PLC Company

## Financial Controller

South West

to £40,000 + Bens

Our client is a manufacturing/assembly division, part of a major US Group with current revenue of US\$1 billion. The momentum gained from a strengthened management team and the continued development of regional affiliates will ensure substantial worldwide growth particularly in Europe.

With this substantial divisional expansion, the need to recruit a high calibre individual to the Senior Management team as Controller of Finance is critical. Working as part of the team, you will be expected to drive forward in a changing environment, the UK operations with heavy involvement with European Sites. Reporting to the Managing Director, responsibility will lie for the full financial management of the business. Encompassing the management of the finance function, you will control all aspects of reporting to local management and Head Office in the USA including monthly statutory accounting, cashflow and budgeting. Ability to meet deadlines is

crucial. With new European financial systems being implemented, the candidate will have proven systems skills within a manufacturing environment.

Ideally you will have had five or more years of experience in a similar environment. You should have good interpersonal and communication skills and you will be PC literate. You should be looking to join a progressive senior management team with the maturity, focus and knowledge to add value to the bottom line. Knowledge of US GAAP and a second language would be useful.

In return, the Group offers excellent benefits with a range of future promotion opportunities in the UK and Internationally.

Interested candidates should send their curriculum vitae and covering letter with full salary and package details and a daytime telephone number to Gareth Davage at Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL quoting reference SOTY.



**Michael Page Finance**

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London Bristol Birmingham Edinburgh Glasgow Leamington Spa  
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City £35-70,000 + Benefits

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To assist the teams activities including marketing, structuring and negotiating senior and mezzanine debt, credit analysis including cashflow and financial modelling. ACA with banking experience essential.  
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**Credit Analyst**  
Analysing complex financial information you will make recommendations on pricing and structuring new facilities for major corporates. You must be a graduate or ACIB qualified with a good understanding of treasury products.  
Ref 52137 - Nina Gilbert

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Ref 52138 - Nina Gilbert

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**PSD**

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**GLOVERALL PLC**

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## Financial Controller

Northamptonshire - Attractive Package

■ This client, previously a family owned business, was acquired by a large and successful international retail group in 1995 and has enjoyed strong growth under its new management. The company's business plan commits it to further significant expansion of its European activities. To support this ambitious strategy, the Board has decided to appoint an energetic commercially focused Financial Controller.

■ Reporting to the Managing Director, your responsibilities will include timely and effective management information, product costing including inventory evaluation, cash and currency management, sales pricing, statutory reporting and compliance. The improvement and enhancement of IT within the company is also a key priority, as is acting as the principal interface for all external requirements of the company.

■ The successful candidate will be ambitious and have strong experience of manufacturing and wholesaling, preferably in the garment industry using multi-discipline IT techniques. Experience of multi-currency trading will be a distinct advantage. A committed team player with strong interpersonal skills is essential. This role will suit a forward thinking, dynamic person to get involved in all aspects of the business operating in a performance driven environment.

Please write outlining your suitability for the position and enclosing a curriculum vitae with current remuneration details to Richard Pooley at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH, fax: 0171 931 1022, quoting ref: RP0103, E-mail: rpooley@cc.ernstyoung.co.uk

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## Financial Planning Mobile Telecommunications

c. £65,000  
+ Car + Bonus  
THAMES VALLEY

Cellnet is one of the world's largest and most successful mobile communications companies. In just 10 years since its formation, this new service is already taken for granted by millions of people in the UK with a growing number of international calls. Having invested over £1 billion in the network, Cellnet is a mature organisation with the technical infrastructure and financial resources in place to support continuous growth.



In order to maintain and perpetuate this outstanding record of achievement, Cellnet now seeks to recruit a key individual within their finance team who will be responsible for supporting and driving key business issues across all aspects of operations, service provision and technology.

Supported by a highly skilled team of finance professionals, you will:

- Create and innovate ways in which finance can provide a more proactive input to the growth and development of the business.
- Appraise and monitor the financial and commercial performance of the business by developing and implementing sophisticated financial reports.
- Cultivate strong working relationships with senior management in order to promote an interactive flow of ideas and initiatives.
- Define, manage and promote a bespoke business planning and forecasting process across all functions of the business.

Successful candidates will be outstanding graduate accountants, aged in their early to mid thirties who can already demonstrate a successful career to date in a blue chip environment. A strong preference will be shown to those individuals who have worked in either an FMCG or related business sector.

You must be able to present and negotiate with executives at the highest level, possess superior interpersonal skills and be seeking a fast track career opportunity in a dynamic business sector.

Interested candidates should write promptly to Charles Austin or Mark Rowley at Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR0121.

Fax: 0171 409 7872. Alternatively you can E-mail details to mark@herst.co.uk

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## FINANCE DIRECTOR

A Growth-Oriented Divisional Role

### Thames Valley

to £60,000 + Benefits  
Considerable Bonus Potential

Our client is a leading quoted international contracting group. Following a recent reorganisation, there is a requirement to recruit a Finance Director for their largest and most diverse division.

#### THE POSITION

- Executive responsibility for the Division's UK and international financial management and control.
- Provision of first class commercial and strategic direction and key input into the Division's acquisitions and organic growth.
- Interaction with Operational Board Directors to ensure that performance measures are understood and achieved.
- Key involvement in identifying innovative financing structures to match customer requirements.

#### QUALIFICATIONS

- Graduate qualified accountant, aged early 30s to early 40s, with broad commercial and line management experience.
- Proactive and energetic style, capable of communicating effectively with all levels of an organisation.
- Experience of a multi-site group environment, with an international outlook and motivated by business development/M&A.

If you are interested in this exceptional opportunity, please write enclosing full career and current salary details to the advising consultant, Jon Boyle at Questor International Limited, 3 Burlington Gardens, London W1X 1LE, quoting reference 2173. Tel 0171 292 8300. Fax 0171 287 5457. E-mail: jon@questorint.com

c. £80,000 package  
+ excellent benefits



Swindon

## Finance Director

Internal promotion provides a superb opportunity to join this well-regarded FTSE 100 multinational as Finance Director of Castrol (UK) Limited, a £120 million turnover business. High profile commercial role in a business operating in competitive and complex consumer and industrial markets. Involvement in pan-European and global projects, with excellent career potential internationally.

#### THE ROLE

- Reporting to the Managing Director and a key member of a close-knit executive team, with active and broad contribution to the strategy and development of the business.
- Continuously improve the finance function, sharpening analysis and control, and reviewing business processes. Provide leadership, training and development to c. 50 staff.
- Participate fully in a variety of global and pan-European initiatives.

#### THE QUALIFICATIONS

- Graduate accountant, 35+, technically excellent, with fast-track career progression in a progressive blue-chip multinational.
- Analytical ability and commercial nous to interpret trends and issues in a multi-product manufacturing business with multiple routes to market and a diverse customer base.
- Enthusiastic, energetic and imaginative team player. The interpersonal and communication skills to gain credibility and influence at all levels. Definite potential for career advancement.

Leeds 0113 230 7774  
London 0171 298 3333  
Manchester 0161 499 1700

**Selector Europe**  
Spencer Stuart

Please reply with full details to:  
Selector Europe, Ref. F9900271,  
18 Cornhill Place,  
London WC2R 3BP

A key role in the management of a substantial overseas manufacturing partnership

## FINANCIAL CONTROLLER

This international plc group with annual sales of £150m+, manufactures high quality clothing for major retailers in the UK and continental Europe. Their overseas operations include a partnership with one of the leading manufacturing businesses in Sri Lanka, accounting for 50% of production.

The Financial Controller will be based in the capital Colombo, a vibrant city with an established expatriate business community. The person appointed will be given significant responsibility and scope.

#### The Role

- Perform a key role as a member of an established, multi-disciplined, expatriate management team
- Responsible for financial and management reporting to the UK, business administration and staff development/training
- Improve cost performance, efficiency and profitability
- Develop and influence production of financial information from Sri Lankan management.

#### The Person

- Qualified accountant with extensive experience of financial and management accounting, preferably with some background in manufacturing
- Well developed business skills gained in a fast moving, high quality environment
- Excellent communication and interpersonal skills

In order to facilitate this key appointment, a minimum 3 year ongoing contract will be offered, together with accommodation, car, healthcare, pension, return flights and bonus after 3 years.

To apply, please write to James Whelan, Hays Executive, St James' House, 7 Charlotte Street, Manchester, M1 4DZ. Tel: 0161 228 2727.

**Hays Executive**  
STRATEGIC SEARCH & SELECTION

To £80,000 + bonus, options & benefits International Manufacturing Group Midlands

## Head of Corporate Finance

Key role at the heart of an acquisitive and highly profitable £700 million+ turnover UK plc with an enviable growth record, well-balanced international profile and a dominant position in each of its chosen niche markets. Powerful balance sheet and strong City support underpin a well-proven and focused strategy for growth both organically and by acquisition. Significant opportunity for a well-rounded finance professional with M&A experience seeking enhanced responsibility and professional growth in corporate development and, in due course, general management. Excellent international career prospects.

#### THE ROLE

- Reporting to Group Finance Director with specific responsibility for corporate development and treasury as part of a small head office finance team.
- Working closely with the Board to identify and evaluate potential acquisitions internationally, developing proactive relationships with key financial advisors in the City.
- Overall strategic management of treasury, supervising an established high quality function, focusing on funding and balance sheet management.

#### THE QUALIFICATIONS

- Graduate, Chartered Accountant, aged 30 plus, with M&A experience gained in either a merchant bank or a corporate, preferably an industrial group. Second European language an advantage.
- Strong analytical skills and broad business overview combined with first-rate written and oral communication skills. Comfortable handling complex negotiations at senior level.
- Accomplished networker and relationship builder, capable of operating effectively as part of a small head office team. Self-starter with the ability to work independently.

Leeds 0113 230 7774  
London 0171 298 3333  
Manchester 0161 499 1700

**Selector Europe**  
Spencer Stuart

Please reply with full details to:  
Selector Europe, Ref. F9900271,  
18 Cornhill Place,  
London WC2R 3BP

## Corporate Auditor

(International Assignments)  
100,000 - 125,000 DM

Our client is a major blue chip organisation with a world wide turnover of £4bn. They now have an extremely challenging role within the Corporate Audit Department for a highly skilled individual who can demonstrate a range of business talents.

Based in Germany, your major tasks will be to perform systems review, identify areas for performance improvement, have an impact on areas where efficiency can be improved and consequently add value to the business exercise.

In addition, traditional auditing practices such as operational review and control, need to be supported by the compilation of substantial reports, which in turn will form the basis of the company decision making process.

A degree, a full CA, ACA or ACCA qualification, the ability to speak German and a high degree of computer literacy, are all essential. Since this opportunity is also a definite route to a Managerial post it is extremely likely that you will have a "big six" background.

As you will spend around 40% of your time travelling a highly adaptable and flexible attitude coupled with an international background is desirable.

In return, the company offers an excellent salary and benefits package, but most importantly the promise of a career with an organisation of international standing.

Please send your C.V. by fax to 0141 303 4468 or by post to Gordon Adam, Direct Resources, St Andrews House, 385 Hillington Road, Glasgow G52 4BL.

**DIRECT  
RESOURCES**  
SOLUTIONS



## Taxation Manager

London

£45,000 + Bens

The British Medical Association has over 106,000 members and was founded more than 160 years ago to promote the medical and allied sciences and maintain the honour and interests of the medical profession.

BMA Professional Services Ltd (BMAPS) is a wholly-owned subsidiary of the BMA which provides high quality dedicated taxation and accountancy advice.

BMAPS now requires a Taxation Manager to take managerial responsibility for the provision of taxation advice to members. Reporting directly to the Chief Executive, key responsibilities will be:

- Providing high quality taxation advice to the members.
- Presenting seminars and writing technical articles and updates.
- High level responsibility for the management of all aspects of client service.
- Assisting in the development of BMAPS throughout the UK.

You will be ACA or ATT qualified with 3-5 years post qualified experience with a professional firm. Ideally, you will have experience of both personal and partnership tax, with first class written and verbal communication skills, with an aptitude for information systems.

This role represents an exciting and challenging opportunity that will offer considerable career prospects. In addition to your technical ability, you will need to possess an outgoing personality that allows you to develop professional relationships with members and colleagues.

If you are interested in this position please contact Mark Pryor on 0171 269 2248 or send your CV to him at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LH.

Alternatively fax on 0171 831 6662. All CV's submitted directly will be forwarded to Michael Page Taxation.

**Michael Page Taxation**

Specialists in Taxation Recruitment  
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds  
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## FINANCE DIRECTOR

Saudi Arabia

c.£55,000 (net) + Car  
+ Bonus + Share Options  
+ Full Expatriate Package

**ABPM**

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FINANCIAL • RECRUITMENT • SPECIALISTS

Our client is a £100m turnover company, involved in volume manufacturing/distribution, and is an integral part of one of the world's leading organisations.

An excellent opportunity exists for a highly motivated and enthusiastic finance professional to take up this key management position. You will head the finance function consisting of 100 staff operating across several sites, and will participate fully in the commercial management of this substantial business.

The successful candidate will be a qualified accountant with proven senior management/board experience ideally gained within a manufacturing/distribution environment. This is a high profile position and as such represents a genuine career opportunity.

Interested candidates should in the first instance send their CV together with details of their current salary, work and home telephone numbers to Jeff Price at ABPM, Redridge House, 9 Bailey Lane, Sheffield S1 4EG. Tel: 0114-278 0011, Fax: 0114-273 8384.

Email: gp11f@abpm.co.uk. Please quote reference gp11f.

OFFICES AT BIRMINGHAM, LEEDS,  
MANCHESTER, NOTTINGHAM AND SHEFFIELD

## ERNST & YOUNG

### International Energy Services

Ernst & Young is a \$7.8 billion organisation, with 72,000 people in more than 130 countries, and is one of the world's major professional services firms.

Our Energy Services industry group is one of three core strategic groups established by the international firm which, through its World Energy Centres in London, Houston, Jakarta and Moscow, co-ordinates client services on a market sector basis. Already a leading service supplier in audit and tax, our goal is to become the undisputed world No. 1 in the provision of professional services to the energy industry by the year 2000. Substantial investment in the emerging markets is a critical element in the achievement of this objective, and several key appointments must be made, including:

#### Practice Leader Central Asia

Reporting to the CIS Managing Partner in Moscow, you will be responsible for:

- The management of service provision to key international audit clients in the Upstream Oil and Gas industry.
- Planning and management of other audit engagements in the industry.
- Reporting to Ernst & Young co-ordinating partners with respect to relationships with the subsidiaries of multinational clients.
- All aspects of practice management and development.

The appointment could be made at partner or partner-designate level, depending on experience.

#### Other Energy Services Opportunities CIS, Far East, Latin America

We have other energy services opportunities around the world for Audit and Tax Seniors, Managers and Partners. The general requirements are as follows:

**Audit and Business Advisory Specialists** will be Big 6 trained internationalists, currently in the profession or in a major international upstream oil and gas company. Excellent experience of the target sector and of the practical application of international reporting requirements (US/UK GAAP) and accounting standards is essential.

**Tax specialists** could come from a leading accountancy or law firm, or from the oil and gas industry.

To be effective in these operational environments, and depending on the level of entry, you must be able to demonstrate initiative, personal energy, confidence and self-sufficiency, allied to an instinct to lead, communicate and collaborate. For the more senior posts, a record of success in selling and delivering professional services in emerging markets is necessary.

Remuneration packages will reflect the importance of these appointments in establishing centres of industry excellence around the world and, hence, a global network of professional knowledge and expertise.

If you wish to be considered for any of these opportunities in our international energy services group, please send your curriculum vitae, including details of current remuneration and a summary of how you meet the requirements, to Neil Cameron at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH, quoting ref: NC 0095.

## DIRECTOR & DIVISIONAL FINANCIAL CONTROLLER

£55k plus benefits · North London

Part of a multi-national plc valued at over £2 billion, our client manufactures a range of products for the domestic, commercial and light engineering markets. The Division, which turns over approximately £150 million, has ambitious development plans. To help achieve these objectives, through both acquisition and organic growth, they are seeking an outstanding divisional finance executive.

Reporting to the Divisional Managing Director, you will be responsible for co-ordinating and supporting financial management issues, across subsidiary companies based in the UK, Europe and the USA. You will help formulate and implement business strategy, being both responsive and proactive in anticipating commercial opportunities and needs, including potential acquisitions. Working closely with senior managers from all disciplines, you will play an integral part in managing key issues facing the business, its process, and the sectors in which it operates.

To be successful in the role, you will be a self-starter with:

- an impressive track record in blue-chip manufacturing businesses, with experience of small/medium companies and Head Office environments

- excellent analytical and problem-solving skills, with a keen sense of commercial opportunity and business judgement
- a highly interactive approach, able to enhance communication at senior level and add value to management teams
- flexibility of approach in developing financial and commercial strategy leading to decisive action
- strong professional and educational qualifications, preferably with a sound working knowledge of another major European language.

The successful candidate will make a substantial impact upon an already impressive business performance, in a company which offers excellent opportunities for career growth.

To apply, please write, enclosing your CV and current salary details to the consultant advising our client on this appointment, David Bligh, Mercuri Urval, Spencer House, 29 Grove Hill Road, Harrow, Middlesex HA1 3BN. Fax no: 0181 861 1978, quoting ref: JC/V/DPC.

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## EXPERIENCE COUNTS



ALLIED DOMECQ

### Business Process Redesign

London

Salary will be negotiable  
£40-70,000 + Benefits Package

#### Customer Process

Working with National Marketing and Sales Companies you will redesign customer related financial systems, establish the impact of these changes on the local businesses and oversee the implementation of the new systems. As part of a self-managed team, specific tasks will include:

- Standardising pricing structures
- Maximising the use of electronic settlements methods in each market
- Specifying systems requirements for a flexible credit vetting system for sales orders
- Detailing system requirements for a suitable collection management system
- Overseeing the development and implementation of the above systems

Previous exposure to Sales Administration systems or pricing/billing systems, or a background from within sales and marketing would be particularly relevant.

Whilst we are looking for specific qualities/experience in individuals, there are certain skills that will be particularly relevant to all three areas. It is envisaged that successful candidates will have a relevant business qualification, and a proven track-record of success within a major international company. Previous experience of financial/systems redesign projects, change management and sales administration would be of particular interest, as would a high degree of international exposure. Possible backgrounds will range from mainline finance and business development roles in industry, through Management Consultancy to more directly comparable project-based experience. These roles will involve frequent exposure to senior Finance, Marketing and Managing Directors of various Allied Domecq businesses. With this in mind, it is imperative that you have excellent interpersonal skills and the ability to influence decision-makers. A self-starter, you will be highly organised, possess excellent vision, be willing to undertake international travel and, above all, present a highly credible image.

These positions are initially planned to run on a 2 year project basis. Those individuals with the correct blend of personality and skills will gain top-level, international exposure within Allied Domecq, and it is envisaged that career progression could continue outside of their specific project.

Allied Domecq PLC is an international drinks and hospitality group which employs over 50,000 people worldwide. It is one of the world's leading spirits and retailing groups with a range of brands which includes Beefeater Gin, Teacher's and Ballantine's whiskies, Harveys sherries, Canadian Club, Kahlua and Tio Maria liqueurs as well as Courvoisier Cognac and Tequila Souza. In retailing, the group has over 4,000 pubs and 1500 Victoria Wine off-licences in the United Kingdom and some 9,000 franchised Baskin-Robbins ice-cream stores and Dunkin' Donut outlets across the globe.

To ensure its continued growth, and build upon its existing market-leading status, the Group has embarked upon a major, global redesign of its business processes within the Spirits and Wine division. Working on financial, management, customer, supplier and internal processes, they have assembled a high-calibre multifunctional team representing each of its major operations to redesign and implement new processes. The redesign team is now looking to fill the following key positions:

#### Management Process

This high profile project will ultimately impact on all functions across the Spirits & Wine division, and hence requires a broad base of business experience in an individual. With a high degree of cross-over with other project teams, specific duties include:

- The definition of common Critical Success Factors across the Spirits & Wine business as a whole
- The introduction of these definitions to operations management
- The training and education of local management on definitions
- Planning and managing specific implementations
- Constant liaison with other project teams and Human Resources on implementation

Previous experience within a large multinational group and exposure to both finance and sales and marketing would be especially relevant.

#### Accounts Payable

With specific responsibility for this vital area you will oversee the redesign of supplier related financial systems, assess their impact on local businesses and ultimately implement the redesigned systems in selected operating units. Managing this highly complex project, your principal responsibilities will include:

- Production of a detailed specification for the Purchase Order Management system operating as part of the redesigned Accounts Payable system
- Maximising the use of electronic payment methods in each market
- Design of operating procedures with regard to the use of Procurement Cards for Accounts Payable
- Overseeing the development and implementation of the above

Familiarity with supplier related administration systems, administration purchasing or relevant operational review/consultancy skills would be seen as advantageous.

To further your interest in one of these excellent opportunities, please contact our retained Consultants Matthew Durrwood or Paul Glazner at Executive Connections, 43 Eagle Street, London W1R 4AP. Tel: 0171 304 9000 (evenings/weekends 0171 254 3849). E-Mail: [allied.domecq@executive-connections.co.uk](mailto:allied.domecq@executive-connections.co.uk). Fax: 0171 304 9001. All applications will be treated in the strictest confidence. Please note: any CVs submitted directly to Allied Domecq PLC will be forwarded to Executive Connections.

## GROUP FINANCE DIRECTOR

### INTERNATIONAL ENGINEERING CONSULTANTS

From £70,000 + excellent incentive package

Surrey

Our client is a leading international consultancy in engineering, environmental and project management. It has a turnover of £50 million, is owned by its 1,000 employees throughout the world and is committed to growing and broadening its range of services.

As the Group Finance Director, you will lead an established team in all aspects of financial and management accounting, treasury and systems. More importantly, you will be actively involved in commercial contract issues.

You will be one of a small team of Directors driving the strategic development of the Group. This will involve acquisitions as well as the limited recourse financing of major projects, in which the firm is becoming increasingly involved.

Exceptional commerciality and entrepreneurial flair will be balanced by a mature, diplomatic style. You will be a team player and have managed the financial or commercial functions of an international, fee-earning, contracting or business-to-business service group. An understanding of corporate and project finance is essential. Age is completely open.

Please write in confidence, with a CV and remuneration details, to Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref: 1069. Tel: 0171-470 7108. Fax 0171-470 7114.

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## FINANCIAL CONTROLLER

West Midlands

C. £35,000 + Significant Bonus Potential

Our client is the European manufacturing operation of a US corporation supplying climate control products to a world-wide customer base. A rapid increase in sales over the recent past, particularly on major contracts to the growing computer, electronics, telecoms and associated industries, is set to climb further. Strong financial management is seen as essential to underpin the envisaged expansion.

Reporting to the Managing Director you will bear sole responsibility for the finance function. Key challenges will be to provide prompt and accurate financial reporting – both locally and to Corporate, improve operational and strategic planning procedures and strengthen internal controls and reporting disciplines, and manage a small accounts team with a "hands-on" approach.

You should be a young qualified accountant with at least five years ppe, IT literate, with previous financial management experience gained within manufacturing organisations. Excellent forecasting, planning, reporting and cost skills are essential. Good communication, team orientation and a meticulous nature are required. Prospects are excellent for a committed individual and the comprehensive remuneration package will be designed to reward success.

Interested applicants should send a full c.v. including current salary and daytime telephone number to Phillip Price ACA or Andrew Guy quoting reference 3116 at Deloitte & Touche, Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.

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# IT Appointments

## International derivatives trading SYSTEMS SPECIALISTS

Financial markets experience not essential

When it comes to internationally traded derivatives, very few firms can match our influential role in the markets. Responsible for daily transactions worth billions of dollars, we have a commitment to IT systems which build competitive advantage for ourselves and our customers. We are now looking for two exceptional technologists to help us deliver on this commitment by adding technical and leadership skills to an already highly talented team. We don't expect previous experience of a derivatives environment. And we aren't hung up on a financial markets background. What we are seeking are technical excellence and authority and a willingness to learn about our businesses and how existing and emerging technologies can drive them forward. Both positions are based in the City.

With both roles you will gain exposure to a progressive technical environment including: NT, Powerbuilder, C, C++, X-Windows, Motif, Business Objects and Java. Projects are already planned around the further use of the Internet. Experience of all these skills is not a pre-requisite as cross- or full-training will be given. To apply for these positions, please contact Georgina Collette, quoting the relevant reference number, on 0171 247 7444. Alternatively, send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. email: gcollette@mcgregor-boyall.co.uk

### McGregor ■ Boyall

Business & Technology Selection for Financial Markets

#### Database Project Leader c.£40-55,000 + benefits

##### The Role is...

- To take strategic responsibility for managing the development and production of the entire data function.
- To provide hands-on technical expertise and personal leadership to our database team.
- To manage the development and production of our Intranet site.

##### You will...

- Have proven hands-on technical competence of a major RDBMS such as Sybase or Oracle (some C/Unix programming skills will be advantageous).
- Possess the management ability to assign projects, set objectives and monitor performance.
- Manage ongoing development, expanding the functional range of systems - ie. the implementation of new database products.
- Have experience of leading small teams working on the structured design and development of client server environments.

Ref: GCFT120

#### Sybase DBA c.£50,000 + benefits

##### The Role is...

- To provide DBA services for our 5 Sybase servers.
- To ensure that development/production database systems are performing to requirements.
- To provide in-depth technical expertise to our systems development team.

##### You will...

- Have a minimum of 2 years' Sybase DBA experience plus exposure to logical and physical design of new database systems.
- Offer experience of Sybase 10, 11, Replication Server and SQL.
- Take responsibility for daily monitoring, application and performance tuning.
- Provide disaster recovery project planning and implementation.

Ref: GCFT121

## Republic of Bulgaria National Social Security Institute Automation Consultant

NSSI is seeking the services of an individual automation consultant to provide the technical supervision for the design and implementation of Social Insurance Information System (SIIS). The SIIS is being developed as part of a project funded by the IBRD and other donors. The services of the consultant are expected to be required for ten months a year for a period of up to four years. The work will be based in Sofia, Bulgaria.

Procurement will be conducted through the procedures specified in the World Bank's Guidelines: Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency. Interested eligible professionals are invited to submit a letter of interest and their CV by February 28, 1997, to:

National Social Security Institute  
Project Co-ordination Unit  
62-64 Stamboulijski Blvd., 1303 Sofia, Bulgaria  
Tel: +(3592) 980 8963, +(3592) 980 7731  
Fax: +(3592) 980 6553  
E-mail: pcu@sof.cit.bg

## PARIBAS

### EQUITY/FIXED INCOME DATABASE ADMINISTRATOR

As a recognised leader in the fixed income and equity capital markets, Paribas draws on the expertise of over 2,000 people from around the world based in London, Paris, Frankfurt, New York, Singapore, Tokyo and other offices. Paribas provides a comprehensive range of products and services in the primary and secondary BOND and EQUITY markets, currency and interest rate SWAPS and OPTIONS, FIXED INCOME and EQUITY DERIVATIVE products and specialised instruments.

The successful candidate will be responsible for the database administration and will possess the following attributes:

- A minimum of six months database management in a commercial environment including:

Maintenance of databases  
Updating data validation spreadsheets and indexes for both Eurobonds and Governments  
Writing Macros  
Data Analysis  
Spreadsheets skills

- A good academic background including mathematics.

This position suits a technically minded, reliable and diligent individual. It offers a scope to learn about the mechanics of the bond markets, and has the potential to lead towards a more exciting role.

If you feel you have the qualities to succeed in this exciting environment, please contact Louise Williams on 0171 335 0005 or alternatively send your CV to Huxley Associates, 17 St Helen's Place, London EC3A 6DE. (Fax: 0171 335 0008/email: jobs@huxley.co.uk).

### BANKING FINANCE & GENERAL APPOINTMENTS

## TRADE & STRUCTURED FINANCE MANAGER, KIEV

Salary, benefits & bonus to attract the best.

**Opportunity:** To take responsibility for sourcing, originating & structuring commodity trade finance deals for a fast growing trading business in the Ukraine. Set up the relationships and systems to maximise the efficiency and minimise the costs of the companies own trades. Develop new business, leveraging off the already substantial trade flows in and out of the Ukraine, by offering trade finance services to existing clients and customers.

**Candidate:** Someone from the commodity trade finance unit of a bank or from a trading or industrial company active in the Ukrainian/CIS markets. Experience of LCs, notes, countertrade, barter and structuring products for direct financing of counterparties. Current experience in Ukraine/CIS.

**Progression:** To a larger regional role within the CIS or other emerging market, or line role in western location. Ref: FT 0641

Farn Williams specialise in placing international finance professionals, Controllers & CFOs.



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## ΣΤΕΛΕΧΗ

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# EUROPEAN STOCK EXCHANGES

There has been severe pressure on institutions to reform their ownership, management and ambitions. John Gapper discusses the changes that have taken place

## Out with the old, in with the new

Europe's stock exchanges have been through as many changes in the past year as most managed to pack into the previous decade. This partly reflects how little these sluggish and conservative institutions felt the need to alter their ways in the past. But it also indicates the severity of the recent pressures on them to reform their ownership, management and ambitions.

The results of legal changes such as the introduction of the Investment Services Directive, technological innovations, and the gradual emergence of an "equity culture" among European investors have been startling. Across Europe, exchanges are abandoning co-operative ownership, drawing together in fresh partnerships, and competing far more strongly with London.

There is more to come if European and economic monetary union occurs on time in 1999. Some observers believe the rationalisation of regional exchanges within countries will be followed by similar changes across borders. Well-intentioned notions of co-operation could easily be swept aside in a far more intense and cut-throat form of competition for European broking business.

This is all occurring against a backdrop of growing interest in equity investments in continental Europe. The DMB3000 privatisation of Deutsche Telekom last year was a milestone for the modest German equity market, while interest is widening rapidly in countries such as Italy where ordinary people have traditionally distrusted

the insiders of the stock exchange.

European exchanges already face competition from outside the continent as well as across borders. As larger European companies seek access to capital in the US and among big institutional investors in London, global competition for listings of shares and depositary receipts is rising. Only the largest European exchanges may stand a chance in a global marketplace.

Furthermore, smaller and nimble exchanges such as Stockholm and Amsterdam are no longer having it all their own way against a London Stock Exchange that has been through several tumultuous years.

In the past six months, London has shown signs of regained momentum in introducing reforms such as electronic order-driven trading, and it also possesses historical advantages.

Among the biggest changes affecting European exchanges have been:

■ Introduction of the Investment Services Directive. From January last year, all member states of the European Union have been obliged to offer open access to domestic securities markets for regulated firms from other states. The ISD also introduced the idea of "remote membership", allowing a firm in one country to transact business on an exchange elsewhere.

In practice, the ISD has been a little slow in coming into effect. The European Commission has been taking enforcement action against Germany, Greece, Luxembourg, Spain and Portugal

for failing to implement the directive fully.

However, this has more to do with slow, domestic legislative programmes than matters of principle, and the ISD's effects are already clearly visible.

■ Demutualisation of exchanges. There has been a flurry of initiatives in smaller exchanges to move from mutual ownership by brokers and traders to public ownership by wider groups, including investors and listed companies. Both the Amsterdam and Milan exchanges are planning to go public this year, and Stockholm has already taken the plunge of changing owners.

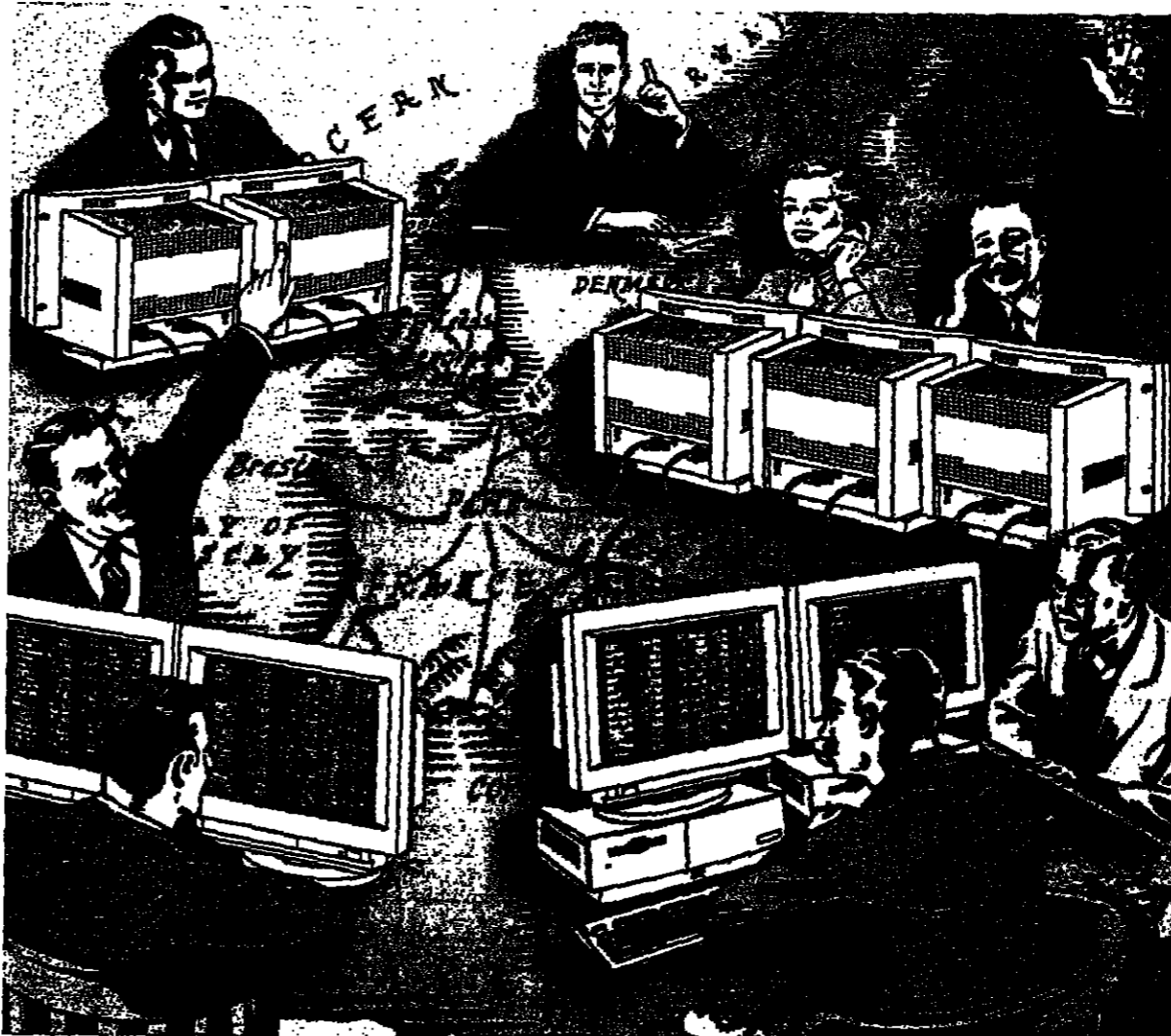
The exponents of such moves argue that exchanges can only react to a changing competitive environment properly if they are freed from the partial interests of brokers.

"If you were to blow the world up and start again, you would not produce co-operative stock exchanges," says Mr Benn Steill, head of international economics at the Royal Institute of International Affairs.

■ Formation of partnerships and alliances. The most notable moves have been within regions away from the central European block of France and Germany.

The ambitious attempt to gain co-operation between the Paris and Frankfurt bourses foundered over technology last year, although the French exchange hopes that its two electronic trading systems can be linked next year.

It has been easier for coun-



### IN THIS SURVEY

● London's harmony after a turbulent period  
● Paris: dreaming of an alliance Page 2

● Deutsche Börse: new era dawns in Germany  
● Amsterdam: pioneers extending the frontiers Page 3

● Switzerland: EBS doubters shaken off  
● Nordic bourses: speculation about mergers Page 4

● Athens: scandal prompts tighter rules  
● Easdaq and the Nouveau Marché  
● Warsaw: an enviable reputation Page 5

● Milan: year of reckoning  
● Other bourses  
● Russia: strange beast is eye-catching Page 6

dore of the Paris Bourse says that the emerging demand from European investors for "a single zone of asset allocation" means that there will be "some kind of globalisation of the European market" through a network of linked exchanges.

Yet, others are sceptical about the possibility of exchanges working together when the forces of competition intensify. Mr Möller of Amsterdam says that some exchanges will no longer be able to afford the luxury. "Exchanges will be tougher towards each other. They may be extremely polite, but they will have to compete more fiercely nonetheless," he says.

Despite all the changes among continental exchanges over the past year, this competition could be on a broader scale than they have yet realised. Mr Steill of the Royal Institute says that the battleground has been misunderstood. "The myth is that Paris and Frankfurt are competing with London. The fact is that the real competition is coming from New York," he says.

for investors to trade remotely, choosing among exchanges according to transaction costs and transparency.

"If I want water, there is only one pipeline, but I can order my shares from wherever I want," says Mr George Möller, chairman of Amsterdam Exchanges.

Furthermore, technology opens up competition to exchanges from new rivals, including proprietary trading systems. Private firms such as Instinet, the electronic broker owned by the financial information company Reuters, can provide its mainly US investor base with access to many exchanges by acting as an

intermediary, and channeling share orders through one network.

Ultimately, this might lead to a world of stateless exchanges, or one in which investors' orders to buy and sell securities are matched by electronic networks rather than exchanges. Mr Gavin Casey, chief executive of the London Stock Exchange, argues that this is unlikely because of the emphasis investors place on being able to check on companies through listing information.

The optimists assert that European exchanges will be able to forge new forms of co-operation in response to external threats. Mr Thé-

tries on the geographical margin to see the benefit of clubbing together for size, and this has prompted Stockholm, Oslo, Copenhagen and Helsinki to enter talks. Mr Jean Francois Théodore, head of the Paris Bourse, argues that the escalating costs of technology will eventually force exchanges to co-operate at least on common trading platforms.

■ Creation of new exchanges. This has occurred within countries, and across Europe to cater for the growing number of small companies seeking listings and flotations. The past year has seen the energetic, if slow, launch of the Easdaq exchange modelled

on the Nasdaq exchange in the US as well as the European NM project involving the French Nouveau Marché.



Mercury, patron of trading, whose statue presides over Amsterdam's stock market trading floor.



—interpreted by Boris de Leeuw, sculptor of the Dutch National Buller.

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## 2 EUROPEAN STOCK EXCHANGES

LONDON • by John Gapper

## Harmony after a turbulent period

The series of bitter rows appears to have had a cathartic effect

The London Stock Exchange has been in an unusual position over the past few months: it has been out of the news. After one of the most turbulent periods in its history, and the rapid loss of two chief executives, the exchange has started to regain its sense of stability.

The outbreak of relative harmony may not last. The exchange still has to gain regulatory approval for some aspects of its planned move to electronic order-driven trading on October 20. Furthermore, implementation of these radical trading reforms could well create further turbulence in London.

Yet there is a sense that the series of bitter rows first over the move to electronic trading, and then to electronic trading, has had a cathartic effect. "Any institution can go through a tough time, but we are recovering from it well," says Mr Gavin Casey, its latest chief executive.

Mr Casey owes his position to the dramatic dismissal a year ago of Mr Michael Lawrence, the radical former chief executive who stirred discontent among its most powerful members. That stemmed not only from his attempt to reform its governance, but his effort to push through trading reforms.

In Mr Lawrence's wake, governance reforms that placed much more power in the hands of exchange officials have been toned down. Yet the move to electronic trading for FTSE 100 shares will go ahead unscathed, helped along by the public turmoil that accompanied Mr Lawrence's departure.

Mr Casey has taken advantage of this renewed stability to reinforce London's effort to cement its position not only as the leading European financial centre, but as New York's only true rival as a global centre for listing and trading of equities from Europe, Asia and the Americas.

The exchange has also been helped by the fresh push by US investment banks and European banks to build operations in London. This has strengthened

the financial centre, and changed attitudes at institutions such as Smith New Court and S.G. Warburg when ownership changed.

Nonetheless, the exchange has re-established stability from a lower base. It has lost settlement responsibilities that not only generated revenue, but are increasingly used by rivals such as Amsterdam as a selling point. It has also had to delay reform, while other exchanges have accelerated progress.

Mr Casey admits that time has been spent over the past year getting the basics right. He points to reviews of strategy and governance last year. Neither produced a startling conclusion, but Mr Casey says they were needed to establish what it was supposed to be aiming for, and how to proceed.

"It was important to review strategy, because although the exchange had been around for years, we had not looked closely enough at what we should be doing, and not doing. Without it, it was impossible to decide, and we were buffeted around by events outside our control," he says.

The most important reform to be introduced this year is the move to electronic order-driven trading. This has been a vexed issue because the exchange's decision-making has historically been dominated first by jobbers on the floor of the exchange, and after 1995 by the equivalent market-makers.

## London: share volume 1996 (000)\*

January	12,229,197
February	11,535,215
March	12,299,672
April	12,581,319
May	12,543,870
June	10,011,898
July	10,431,174
August	8,845,808
September	9,581,636
October	11,730,578
November	11,679,338
December	9,805,550
January 1997	13,618,422

\* Datastream total market index

Some market-makers - notably BZW, the investment banking arm of Barclays - dragged their feet on reform. Yet the shift has been agreed, with the exception of transparency rules. It can be seen as the completion of London's "Big Bang" that led European stock mar-

ket liberalisation a decade ago.

Mr Casey says an electronic order book, which is already in place in other financial centres, will help reassure outsiders about London's openness. "US investors do not feel quite as happy with market-making. An order book will bring comfort that what you see is what you get," he says.

Yet the exchange is stepping into an uncertain world by the creation of a new regime for block trades - the equivalent of New York's "upstairs" market. No one can quite anticipate how trading patterns will alter when the switch happens, even if the exchange manages to avoid technical hitches.

This partly accounts for a modesty in Mr Casey's ambitions for the immediate future. "There are changes elsewhere, but it does not mean they are right for us. We are trying to put in place things that are vital for London's future, and we must not take our eye off the ball," he says.

Among the continental *grands projets* discounted by Mr Casey is the idea that the exchange might switch from

its ownership by members, and sell shares to outsiders. "In the longer run, we may look at ownership, but that would need a debate with our members that is not occurring yet," he says.

Mr Casey puts more emphasis on reinforcing London's place as a centre for international listing. The exchange has been stepping up marketing trips to emerging markets, in response to the push by the New York Stock Exchange to increase its listings of Global Depositary Receipts (GDRs).

He says that its success in gaining listings from China and Korea show that the exchange's recent travails have failed to dent its international image. "It is still a very good brand name. New York has many qualities, but we are still in the lead, and we intend to stay there," he says.

That success is also contributing to a slow revival in the exchange's reputation. "There was some damage, but it has not been terminal. There is a massive investment here from banks that have chosen to come to London, and tremendous goodwill for us to remain part of the scene," he says.



Gavin Casey: 'we are recovering from a tough time'

PARIS • by Andrew Jack

## Dreaming of an alliance

The idea is to create a company controlled by Paris, Frankfurt and Brussels

Mr Jean-François Théodore has a dream. The head of the Société des Bourses Françaises, the French stock market, hopes to develop an ambitious alliance with his neighbours which he likens to an Airbus-style joint venture in the financial sector. A single company controlled by the exchanges in Paris, Frankfurt and Brussels, among others, would share technology and co-operate in the marketing of equities within the future Euro single currency zone to investors from outside the region.

It is the latest in a series of recent ambitious initiatives being taken by Paris as the competition heats up across European exchanges for business - to attract companies ready to be quoted, traders dealing in equities, and investors seeking opportunities for their capital.

Mr Théodore makes it clear that his organisation, the SBF, is no parastatal entity passively reacting to the change taking place around it. "We are a commercial company with a duty to make profits and pay dividends in a competitive environment," he says.

That is reflected in its first mass market advertising campaign launched at the end of last year in the French press, in part designed to lure new companies. "We have 700 French and 200 foreign quoted businesses. There are certainly lots more that merit a listing," he says.

Among the initiatives designed to encourage new quotations was the creation last spring of the Nouveau Marché, aimed at start-up, high-growth businesses, of which there are now 20 listed, albeit with variable performance.

The bourse is working in a close alliance called Euro NM with similar markets in the Netherlands, Belgium and Germany. Others may follow. All that is helping it to steal a march on the rival pan-European Easdaq network aimed at similar companies and inspired by its New York cousin Nasdaq.

If the European Union's investment services directive - which theoretically came into law at the start of last year - demanded relatively little reform of the French market, it did serve as a reminder of the increasing scope for it to extend its tentacles into other European markets.

The SBF has placed trading screens and enhanced communications networks in London and other financial centres to control more business directly, and recently took a stake in a financial information system transmitted by satellite.

It also commissioned a mischievous study early last year arguing that the trade statistics reported by the London Stock Exchange's Seaq International were vastly exaggerated, with just 8 per cent rather than the claimed 52 per cent of French equity transactions taking place through the London system rather than directly on the Paris bourse.

The SBF is making rather more significant preparations for the creation of the single European currency. In conjunction with the Matif, the French derivatives market, it is already gearing up to quote all its share prices in Euros from January 4, 1999 - another initiative which it believes will place it ahead of its rivals. "We have the feeling that we have the right cards in our hand,"

says Mr Théodore. That may help it attract additional investors. So may the fruits of discussions likely to conclude next spring, which could lead to the bourse remaining open until 9pm, in an effort to trade until the closure of the New York markets.

It has also tried to boost its services to investors by introducing new stock market indices to stand alongside its benchmark CAC-40 of the leading 40 quoted companies. These include the Mid-CAC, while discussions are under way with other markets to create a European-wide equities indicator.

Meanwhile, it has made a series of modifications to trading rules, including adaptations to off-market trading last year, and the introduction of "fill or kill" orders to help small investors which were unveiled in mid February this year.

But the SBF is also an active exporter from France. Its NSC, the computerised "new quotation system", which it has developed and uses, has brought it considerable commercial success and the prospect of tight partnerships with a number of foreign exchanges.

It is already in use in the Brussels, Toronto and São Paulo exchanges, and in modified versions in Tunis, Casablanca, Amman, Warsaw, Riga, Vilnius, Kiev and Beirut. Its Super CAC system will replace the Reuters' Globex used by the Matif for out-of-hours trading, and the Chicago and New York Mercantile Exchanges seem set to follow.

Not all the initiatives have been so positive. Attempts to work with the Matif towards much tighter co-operation with their Frankfurt counterparts foundered last year after the Deutsch Börse opted for a rival computer system to the NSC.

And Anglo-Saxon institutions never cease to highlight the continued dominance of the London stock market for European equities, not to mention concerns about a long history of French interventionism which can raise suspicions and deter investors.

Indeed, a group of highly-respected French accountants and lawyers published a survey of their country's leading companies' annual reports in January which was critical of the quality of financial reporting.

Meanwhile, partly in the wake of the failed privatisations of the defence contractor Thomson and the bank CIC at the end of last year, there is still also considerable scepticism about how truly open the French market is to foreign investors.

There have been only two notable hostile takeover bids recently, and both were entirely "Franco-French": of the insurers AXA and UAP, and of the retailers Docks de France and Auchan.

Mr Théodore nonetheless argues that France is increasingly becoming an equity-based culture, and is inspired by both new legislation just approved to create top-up pension schemes and privatisations such as that of France Télécom, which he believes will whet the appetite for more. "It's a market like any others," he says.

## Paris: share volume 1996 (000)\*

January	330,442
February	332,792
March	340,756
April	334,009
May	320,986
June	428,485
July	401,789
August	197,214
September	355,863
October	462,673
November	389,463
December	440,980
January 1997	440,980

\* Datastream total market index

## Another golden age for Athens

## A new FTSE index for The Athens Stock Exchange

From May 1997 there will be a new index called FTSE/ASE - a basket of stocks representative of ASE performance and suitable in the future to support derivative trading.

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DEUTSCHE BORSE • by Andrew Fisher

## New era dawns in Germany

The number of quoted stocks is small in relation to the size of the economy

Traditions are being unceremoniously overturned on the German stock exchange. Not only is full electronic trading on the way - which will bring an end to floor dealings, though no-one knows quite when - but a new market segment for small companies is being created which will have much stiffer listing and reporting requirements than the main exchange.

Both initiatives are being driven by Deutsche Börse, which runs the Frankfurt securities markets, including Deutsche Terminbörse (DTB), the futures and options exchange. Together, they promise to usher in a new era for the market.

At the end of this year, a new electronic trading system called Xetra (exchange electronic trading) will

replace fairs, the electronic dealing network for institutions. Around the end of 1998, Xetra will be in full operation, handling wholesale and retail business in all securities quoted on the exchange. By that time, the Neuer Markt (new market), designed to attract dynamic young companies, especially those with a high-technology bias, will be under way. Opening next month, it will build up its operations gradually, aiming to have up to 20 listings in the first year or so. Eventually, the Neuer Markt intends to link with similar ventures in Paris, Brussels and Amsterdam.

Both Xetra and the Neuer Markt show the determination with which the Frankfurt exchange - dominating trading on Germany's bourses, ahead of Düsseldorf, Munich and five others - is pursuing its ambitions. Not only is it keen to establish a technological lead over rival international exchanges, especially ahead of monetary union which will eliminate the D-Mark and create a new

competitive environment among European markets. But it is also aware that too few newer companies are being listed on the bourse to offset the dominance of the big blue chips.

Costing up to DM150m, Xetra - known as Zeus in its development stage - is aimed at making the market more transparent and liquid and thus speedier, more efficient and cost-effective. Not only will this benefit existing market participants and investors, but it should also improve access for remote users of the exchange - both in and outside Germany.

"Xetra will make Deutsche Börse internationally more competitive because it will bridge geography and time zones," Mr Werner Seifert, chief executive of the stock exchange company, says. He adds that no other exchange had so consistently used the possibilities of remote membership. It has computerised access points across Europe and Xetra would enable it to develop this advantage.

However, he recognises

that technology alone was not enough to overcome the German wariness of shares. "Because of the lack of a proper equity culture, the market is not as sophisticated as it could be," he comments.

Although last November's DM20bn new issue by Deutsche Telekom heightened domestic interest in the stock market, more momentum is needed. By international standards, Germany's around 600 quoted stocks is still small in relation to the

size of the economy.

By itself, the Neuer Markt will not make a huge dent in Germans' oft-cited risk aversion. But it should provide a new platform for institutional and retail investors to invest in the type of innovative, fast-growing companies which might not otherwise issue shares to the public.

Deutsche Börse has already lined up several technology-oriented companies for early listing on this growth market. Bertrand, an engineering design company serving the motor industry, will be the first listing (it is already quoted on Frankfurt's junior market), followed by Mobilcom, a mobile telecommunications operation. Also planning to come to the market is Ultimaco Software, a computer and software security specialist.

Many bankers and brokers in Germany and abroad, see a clear need for the Neuer Markt, though it will take time to show its worth. Several German companies have recently obtained listings on the Nas-



The DM20bn new issue by Deutsche Telekom heightened domestic interest in the stock market

daq, the US market specialising in high-tech companies, in the absence of an alternative in Germany. In addition, Easdaq, the competing pan-European market, recently began operations in Brussels along the lines of Nasdaq.

However, Mr Reto Francioni, a director of Deutsche Börse, notes that at least half the turnover in these stocks - including Qagen, a biotechnology company quoted on Nasdaq last year - is now carried out in Germany. He sees this as a favourable omen for the Neuer Markt.

Mr Günter Farners, head of the Neuer Markt project, says that apart from these three companies, at least 15 more are keen to be quoted on the new market this year. A number of German and foreign banks had said they would arrange new issues, advise companies and act as market-makers.

These included Deutsche Bank, Dresdner Bank, Westdeutsche Landesbank, BfW Bank, Bayerische Vereinsbank in Germany, ABN Amro of the Netherlands and Banque Paribas of France. Other banks are

expected to take part in the Neuer Markt as it develops, Mr Farners says.

Both he and Mr Francioni believe the Neuer Markt and Euro.NM will have advantages over Easdaq. The Neuer Markt would be rooted in a domestic market, as would its partner exchanges, which would benefit liquidity and contact with investors.

Altogether, says Mr Seifert, the first 20 new issue candidates for the Neuer Markt have a total turnover of around DM1.4bn and employed 4,300 people.

### Frankfurt share volume 1996 (000)

January	900,831
February	780,788
March	1,375,269
April	718,105
May	819,104
June	1,372,528
July	1,371,680
August	1,021,888
September	1,458,763
October	1,481,086
November	2,752,496
December	1,927,626
January 1997	2,221,185

\* Deutschem total market index

AMSTERDAM • by Gordon Cramb

## Two pioneers are extending the frontiers

The new Amsterdam Exchanges is aiming to have a listing of its own

When Amsterdam Exchanges (AEX) came into being on January 1, 1997, it brought together the world's oldest stock exchange and Europe's pioneer financial derivatives market. Just seven weeks into its new life, AEX pushed the frontiers further by publishing a prospectus under which it aims to become the first unitary exchange to have a stock market listing.

The company created from the memberships of the stock exchange and the European Options Exchange is placing half its shares with Dutch pension funds

and listed companies. The move has a precedent only in Sweden, where the stock exchange and OM options and futures market, its biggest shareholder, are quoted but remain separate entities.

According to Mr George Möller, the former EOE chief and now AEX chairman, the Stockholm experience was not taken as a model in forming the new structure. "The only thing Swedish about this is the unitary in my name - the rest is pure Dutch," he says.

The task was to unite two membership associations, putting assets and activities into one limited company. It was undertaken as a merger of equals, each putting up half the F100m paid-in capital. The associations live on in mutated form - allowing the new company to distance itself from outstanding

claims against its predecessors - and will own all the A shares in the enterprise. On offer to other institutions is a class of B shares, of equal size and nominal value, and member firms may trade in those, too.

This closed market will remain in force for five years, with exchange members receiving income through a cumulative preference dividend topped up by profit-sharing certificates. From 2002, the shares can be traded more widely, and at that point AEX intends to list itself on its own board. "We want to establish a business with a track record," says Mr Möller.

Even after then, however, any one shareholder will be restricted to a maximum 10 per cent holding in AEX. The stipulation sits uneasily with past declarations by the

stock exchange that it opposes protective share constructions. To this Mr Möller says that if the exchange fell into different hands, official permission might have to be sought anew in The Hague for it to conduct business on behalf of the public. "We have an exchange, a licence, and at the end of the day something very vital to the Dutch economy... Our case, I feel, is special."

The demutualisation of the exchanges came into effect at a time when they have been enjoying record equity prices and strong volumes. Turnover in shares and bonds approached F13,000bn last year, up from F11,362bn the year before and quadruple the level of five years ago. If volumes are to remain rising, new listings are needed, the exchange

says. A New Market Amsterdam is being created to attract companies in earlier stages of development.

Amsterdam Exchanges faces the challenge of securing earnings for itself and its new shareholders while aiming to compete as cost leader in a European capital market which, if economic and monetary union takes effect on schedule less than two years away, will be increasingly borderless. Moreover, it lacks the underpinning of a big home market.

As a single organisation, officials argue, it will be able more easily to develop product combinations in order to boost trading volumes. By this logic, these would be domestic bond or equity derivative contracts such as those available on their best-known joint creation, the three-year-old Amsterdam

EOE index, renamed the AEX index from January to reflect the belated marriage of its parents.

The two markets created a joint executive in 1992 to coordinate planning, which brought benefits including the trading of bond futures on the stock exchange's dealing system as well as a new baby last October - the Amsterdam Midkap index, which computes the value of 25 companies with share turnover just below those of the 25 in the AEX.

Stock and options chiefs have also orchestrated their responses to government initiatives affecting the securities and futures industry. A securities board now issues dealing licences and polices suspicious stock transactions made through the exchange, which does its own clearing and retains the

right to decide who should belong. But a series of insider trading cases over recent years has not touched the exchange membership.

Because of one such scandal, however, a strange new type of share is due to find its way on to the AEX board. Begemann, an industrial investment company, is suing the exchange and the government for a total of more than F1bn after an insider dealing conviction against Mr Joep van den Nieuwenhuysen, its former chairman, was overturned on appeal.

At the centre of the case is the damage inflicted on Begemann's share price during the proceedings. To shield its shares from further volatility while the civil suit is in progress, the company is creating a separate class of share which it will

### Amsterdam share volume 1996 (000)

January	634,866
February	650,334
March	612,280
April	558,045
May	588,558
June	542,178
July	572,884
August	505,130
September	538,441
October	681,416
November	823,942
December	584,459
January 1997	801,255

\* Deutschem total market index

distribute free to shareholders, and into which any proceeds from the action would flow.

The exchange initially refused to list the so-called Bega-claim stock, saying the state had not acknowledged the company's suit and that no new capital was being brought to the market through such a listing. But then it abruptly reversed its decision.

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ATHENS • by Kerin Hope

## Scandal prompts tighter rules

The fraud revelations forced the government to implement reforms

Like the storm-tossed ships in the painting that hangs above his desk, Prof Manolis Xanthakis, chairman of the Athens Stock Exchange, has found himself navigating around perilous reefs in the past three months.

Improving supervision of the 65 Greek brokerage houses and of trading and settlement procedures on the bourse took on a new urgency after the discovery last November of a fraudulent trading scheme involving a group of small-capitalisation stocks and several brokerage houses.

The exchange was forced to shut down for three days — an unprecedented event — while bourse authorities made a desperate effort to assess the extent of the fraud.

While the scandal dampened trading activity for several weeks, there was no massive outflow of funds. Foreign and domestic investors have rushed into the market since January, following the upgrading of Greece's credit rating by Moody's, the US rating agency, and sharp interest-rate cuts on bank deposits as inflation dropped below 7 per cent.

The index has surged by more than 25 per cent in US dollar terms since January 1 while daily trading volume has more than doubled since November.

The fraud revelations forced the Socialist government to implement immediate reforms aimed at restoring investor confidence, and to address longer-term issues concerning regulation of Greece's small but fast-growing capital market and the politically sensitive question of independence for the stock exchange.

The Athens Stock Exchange is nominally a public limited corporation but its sole shareholder is the state, while the government appoints the chairman and still has a strong influence on decision-making. The Capital Markets Com-

Athens share volume 1996 (000)\*

January	18,177
February	16,798
March	18,205
April	15,359
May	8,979
June	14,377
July	14,961
August	15,598
September	22,111
October	21,688
November	10,498
December	22,880
January 1997	32,352

\* Dataquest total reported index

mission, the bourse watchdog, is based at the economy ministry and is only now in the process of acquiring its own auditing team.

The new measures include the establishment of a Drbn insurance fund to guarantee settlement which is being covered by contributions from brokers and the stock exchange and will be gradually built up to about Dr15bn.

Tighter controls on brokers have also been introduced. Settlement has been cut by 48 hours to trading plus three days, while brokerage houses must provide bank guarantees or cash for the extra amount if their daily trading volume exceeds their capital base.

Another priority for the bourse authorities is to improve settlement procedures by switching as soon as possible to a book entry system at the depository. However, fewer than half Greece's 280 listed companies have switched from bearer to registered shares and Prof Xanthakis estimates that the start of dematerialisation, already much postponed, is still several months away.

The exchange is already preparing to install a new Drbn electronic trading system intended to generate liquidity and support a flood of rights issues planned this year by state-controlled utilities and Greek banks.

The launch of a new index in co-operation with FTSE International, which produces the FTSE 100 and other indices for the London stock exchange, should give trading a boost and provide a basis for introducing Greece's first derivative products.

EASDAQ AND THE NOUVEAU MARCHÉ • by Christopher Price

## Cool reception for new exchanges

After slow starts, demand for potential member companies and investors is rising

The blaze of publicity that launched Europe's two newest exchanges — Easdaq and the Nouveau Marché — in the past year was matched only by the coolness of potential investors and member companies.

Easdaq, the pan-European stock market for high technology stocks, was faced with the embarrassment of opening for business in September without any members. The first company did not list until November. Since then a further five companies have joined.

The market now has a combined market capitalisation of \$1.2bn, with \$200m of new capital raised. Easdaq says it remains confident of reaching its target of 50 members by 1998.

"We have always made the quality of the companies we attract our number one priority, not the quantity," says Mr Stanislas Yassukovich, chairman of Easdaq. "There are quite a large number of companies we are continu-

ing to turn away because they are not suitable."

Easdaq was conceived with the backing of 80 European financial institutions to replicate the success of the Nasdaq market in the US. The creation of an exchange for fast-growing high-tech stocks in need of capital was seen as a vital ingredient for the development of a dynamic European high-tech sector.

The Nasdaq connection was reinforced with a dual-listing agreement between the two markets, while the US exchange also took a small shareholding in the European market.

Not surprisingly, Easdaq's listing requirements have echoes of the US exchange. Each company must have at least two market-makers and a sponsor. So far, some 250 European brokers and dealers have registered as Easdaq market-makers.

Companies need no trading record, while at least 30 per cent of shares have to be free-float. Like Nasdaq, results must be reported quarterly to international accounting standards. All documentation and disclosures, which are subject to Easdaq scrutiny, must be in English.

"We are very pleased with the development, particularly with the range of companies which have joined," says Mr Yassukovich.

The biggest company on the market is Dr Solomon's Group, the UK developer of anti-virus software, which raised \$97m and had a market capitalisation of \$310m when it became the first company listed on Easdaq at the end of November.

Since then, its market value has risen to \$424m, although much of the share trading has been done through the group's Nasdaq listing.

The other companies listed are Innogenetics, a Belgian biotechnology group, Artwork Systems, a Belgian software company, Activcard, a computer security concern, Mercer International, a US pulp and paper manufacturer, and PixTech, a US computer group.

The total number of trades in the first three months was 2,234, with the number of shares traded 7.8m worth \$90m. Four out of the six have seen their share price rise since joining.

Mr Yassukovich says the challenge for Easdaq is to establish its trading standards across Europe's finan-

cial community and to continue to work towards raising the market's profile.

Another challenge is to attract companies and investors from a wider geographic sphere. Mr Yassukovich says the interest of potential companies was strong from Britain, France and the Benelux countries. Investors, too, had been drawn largely from these areas, with UK institutions being joined by rich private investors from France, Belgium and Switzerland.

Germany, in particular, was a barren patch. "Germany has the least developed equity market in Europe so it will be some time until any great interest is likely to develop there," says Mr Yassukovich.

While executives from Easdaq are intent on differentiating their exchange from the emerging national markets for high-tech stocks, their rivals do not agree. "We are in direct competition with Easdaq — same companies, same investors," says Mr Yanick Petit, deputy general manager of Le Nouveau Marché.

He believes this rivalry will grow as the Nouveau Marché links up with new markets being established by

the authorities in Frankfurt, Amsterdam and Brussels. The plan is to create a pan-European exchange which is rooted into local markets, providing companies, investors and market-makers with the benefits from both systems.

Based in Brussels, Euro NM will co-ordinate the setting up and promoting of a European network of markets for fast-growing young companies.

The first tangible move towards the new network will come next month when the four markets will have a common data feed into dealers' trading screens.

Nouveau Marché has so far attracted 19, mostly high-tech, companies in the 12 months since commencing trading. Although most are French, one company is Belgian and one Canadian. More importantly, according to Mr Petit, is the fact that half the investors are non-French. "We have shown that our market can appeal to non-French investors," UK institutions have been most evident, as well as investors from the US and Switzerland.

However, investors will not have been encouraged by the fact that more compa-



Stanislas Yassukovich: some companies turned away

nies have seen their share price fall than rise. Mr Petit puts this down to the decline in technology stocks on Nasdaq in the summer, which had a knock-on effect. "We have seen a strong recovery in prices since then." The market is currently capitalised at Fr6.6bn (\$1.15bn).

After slow starts, executives from both Easdaq, the Brussels-based pan-European stock market, and the Nouveau Marché, the Paris-based exchange for smaller companies, claim that demand from both potential member companies and investors is rising.

Whether enough demand exists for the two exchanges to match the success of the Nasdaq market, in the US, on which both are trying to model themselves, remains to be seen.

WARSAW • by Anthony Robinson

## An enviable reputation

After being re-opened in 1991, the exchange now has 88 quoted stocks

The Warsaw Stock Exchange has gained an enviable reputation for transparency and efficiency since its re-establishment in April 1991 after a 52-year hiatus. The combination of French-style trading methods, based on the Lyons bourse, and Anglo-Saxon supervisory arrangements, based on the US Securities and Exchange Commission, proved robust enough to survive the first market crash in 1994.

It has also proved flexible enough to accommodate the surge of the past 18 months which doubled the market capitalisation of the 88 quoted stocks to \$8bn, while a further 20 per cent rise in the main market WIG index over the first two months of this year added another \$2bn to the value of shares.

Another 25 companies are expected to gain admission this year plus 15 National Investment Funds (NIFs) which control 512 formerly state-owned companies privatised through the mass privatisation programme. "By the end of the year we'll have as many quoted stocks as other exchanges in the region such as Helsinki or Vienna," says Mr Wieslaw Rozlucky, president and chief executive.

"What makes the difference is not the number but the size. At present none of the top 10 Polish companies is listed. The breakthrough will come this year with the privatisation of several of Poland's flagship companies," he adds.

In February, the Warsaw Stock Exchange Index (WIG), a total return type index weighted to reflect the market value of individual companies, broke through the 18,000 mark for the first time from a 1991 base of 1,000.

Warsaw share volume 1996 (000)\*

January	71,947
February	79,224
March	88,244
April	78,037
May	75,024
June	58,210
July	48,327
August	38,704
September	55,564
October	60,705
November	37,506
December	44,048
January 1997	73,827

\* Dataquest total reported index

The exchange is expected to make another qualitative leap forward when the flagships, such as Bank Handlowy, Polska Miedz, the copper company, and Polska Telecom, are listed alongside the 15 NIFs which will join later this year.

The order-driven, centralised and paperless trading system is about to be modernised to cope with the expected surge in trading.

The exchange is issuing a tender next month for a new computerised trading system. It will be installed by the end of 1998 and it will be linked to big international banks and stock markets around the world.

Last year, the WSE started continuous trading in the 22 biggest companies. But well over 60 per cent of trading still takes place through single price auctions based on a daily fixing. A recently introduced post-auction trading period allows buyers and sellers to match orders at the fixed price for 45 minutes after the fixing. This has proved popular with 20 per cent of trading taking place on this basis.

The order-driven continuous auction system is only now gaining momentum and still only accounts for around 15-20 per cent of total trading. Looking ahead, Mr Rozlucky says: "We don't exclude market-making as a method of trading in future but for that we need ready and willing market-makers to come forward."

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310XAKA	1500
350	
1930AAATK	1040
AAATK	705
349A	6550
1390A	8650
529T	8900
5420AAEM	2250
84510AKAT	2410
38090BIEH	143
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**IN BRIEF**  
**Renault to close Belgian plant**

Renault, the troubled French automotive group, is to stop producing cars in Belgium. The company announced it was to cease production at its Verviers plant, near Brussels, which employs 3,100 people. It said the move would result in provisions of FF2.4bn (\$360m) in its 1996 accounts. Page 16

**ISSB agrees link with Chinese partner**  
Banco Espírito Santo, one of Portugal's leading banks, has agreed on a partnership with China Everbright, China's second-largest financial group. The tie-up is designed to link China with overseas financial markets. Page 17

**Three vie for stake in Greek network**  
Three international mobile telephony operators - Orange of the UK, AirTouch of the US and Norway's Telenor - are expected to submit final bids today to set up and manage Greece's third cellular network, Cosmote, in partnership with OTE, the state telecoms monopoly. Page 17

**MAN profits slip 27% on falling demand**  
First-half net profits at MAN, the German truck, printing and plant construction group, slid 27 per cent, after a weakness at its printing subsidiary and a decline in the domestic market for commercial vehicles. Page 17

**Split sparks loss at British Gas**  
British Gas signed off as a combined entity with £1.16bn (\$1.84bn) of exceptional charges, sending it to a net loss of £178m. The bulk of the charges - \$384m - were incurred in the last quarter, as the group prepared to split its Centrica supply and trading arm from BG plc. Page 21

**Newcrest in 'equity for gold' swap**  
Newcrest, the Australian gold mining group, securitised its 11.9 per cent holding in Normandy Mining through a complex 'equity for gold' swap arrangement with ANZ Bank. Page 18

**Companies in this issue**

3Com	20	ITT	20
ABB	18	Indian Petrochemical	22
ABN Amro	21	International Paper	20
Abbey National	2	J.P. Morgan	20
Airtouch	17	Kia Motors	19
Alcoa	16	Kolbenschmidt	21
American Express	15	Lasmo	21
Anglo-American	1	Leventis	17
Applied Magnetics	20	London Electricity	9
Avul Springer	18	Lorho	1, 14
B&E	9	MAN	17
BCE	20	MasterCard Int	15
BT	9	Mayne Nickless	19
Banco Espirito	17	NEC	14
Bank Austria	18	Navigation Mide	18
BankWest	18	Newcrest	18
Bell Canada	2	Nokia	9
Bouygues	2	Norfolk Nickel	26
Bridgestone	19	Northern Foods	9
Cadmus Pharmaceutical	21	Northern Telecom	20
Carter Holt Harvey	20	OTE	17
Casa	9	Optus	19
Caterpillar	9	Orange	17
Cisco Systems	20	P&O	9
Cleco	8	Paribas	16
Copco	20	Perseo	21
Danisco Electronics	18	RJR Nabisco	1, 14
Dana Corp	21	RTZ	14
Deere	18	RTZ-CRA	28, 15, 21
ENI	8	Reed-File	20
Evotec BioSystems	21	Renault	16
First Austrian	9	Samsung	20
GEC	9	Schering-Plough	19
Gen	1, 14	Seven Network	21
Gas Natural	18	Siebo	15
General Electric Cap	18	Siemens	21
Granada	9	SmithKline Beecham	21
Guangzhou Investment	18	Sol Meit	16
Gustaf	20	TAN	21
HK and China Gas	20	Tarisa	19
HK Sempoma	18	Telecom Malaysia	18
HSBC	9	Telenor	17
HTV	21	Tony	6
Hellenic Bottling	17	Toshiba	15
Hilton Hotels	20	US Robotics	20
Hoya	9	Warner Brothers	21
ING Bank	22	Whesco	21

**Market Statistics**  
<http://www.ft.com>

Annual reports service	32.33	FTSE Actuaries share indices	34
Benchmark Govt bonds	22	Foreign exchange	27
Bond futures and options	22	Oil prices	22
Bond prices and yields	22	London share service	32.33
Commodities prices	28	Managed funds service	25-31
Dividends announced, UK	21	Money markets	27
EMS currency rates	22	New Int bond issues	22
Embank prices	22	Bourses	36, 37
Fixed interest indices	22	Recent issues, UK	34
FTSE-A World Indices	38	Short-term int rates	27
FT Gold Index Index	34	US interest rates	22
FTSEAA Int'l bond sec	22	World Stock Markets	35

**Chief price changes yesterday**

FRANKFURT (DM)		Period Record		\$142 + 14.1	
Alcoa	482.5	+ 14.5	Palco	208.9	+ 10.8
Amro	625.5	+ 21.5	AGF	163.2	+ 10.3
Amro	102.5	+ 5.7	Dalco Ming Co	274.0	+ 13.5
Amro	350.7	+ 13.9	Light	477.5	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
NEW YORK (\$)		Period Record		\$142 + 14.1	
Amro	399.4	+ 27.5	Palco	208.9	+ 10.8
Amro	239.4	+ 19.4	AGF	163.2	+ 10.3
Amro	102.5	+ 5.7	Dalco Ming Co	274.0	+ 13.5
Amro	350.7	+ 13.9	Light	477.5	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
LONDON (£)		Period Record		\$142 + 14.1	
Amro	1219.4	+ 9	Palco	208.9	+ 10.8
Amro	239.4	+ 19.4	AGF	163.2	+ 10.3
Amro	102.5	+ 5.7	Dalco Ming Co	274.0	+ 13.5
Amro	350.7	+ 13.9	Light	477.5	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
TOKYO (¥)		Period Record		\$142 + 14.1	
Amro	839.6	+ 29.6	Palco	208.9	+ 10.8
Amro	459.4	+ 7	AGF	163.2	+ 10.3
Amro	102.5	+ 5.7	Dalco Ming Co	274.0	+ 13.5
Amro	350.7	+ 13.9	Light	477.5	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
HONG KONG (\$)		Period Record		\$142 + 14.1	
Amro	1219.4	+ 9	Palco	208.9	+ 10.8
Amro	239.4	+ 19.4	AGF	163.2	+ 10.3
Amro	102.5	+ 5.7	Dalco Ming Co	274.0	+ 13.5
Amro	350.7	+ 13.9	Light	477.5	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
SINGAPORE (\$)		Period Record		\$142 + 14.1	
Amro	1219.4	+ 9	Palco	208.9	+ 10.8
Amro	239.4	+ 19.4	AGF	163.2	+ 10.3
Amro	102.5	+ 5.7	Dalco Ming Co	274.0	+ 13.5
Amro	350.7	+ 13.9	Light	477.5	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3
Amro	274.0	+ 12.5	Union Int'l	274.0	+ 23.3

**Siemens seeks defence partner**  
German electronics group says division is too small to stand alone

By Andrew Fisher in Frankfurt and Tim Burt in London  
Siemens, the German electrical and electronics group, is seeking a partner or buyer for its defence electronics business, following the downturn in government defence spending and problems with large programmes. It has told the division's 5,000 employees, most of whom are in the UK, that it plans to find potential partners and does not exclude the possibility of an outright sale. The move follows a significant setback this month for Siemens Plessey, the group's

electronics arm, when the UK Ministry of Defence cancelled an order for electronic warfare systems after £50m (\$81m) had been spent on development. Siemens Plessey is also involved in the £2bn Bowman battlefield radio programme, also for the UK, and hopes to form a consortium with ITT Industries of the US and Racal of the UK, both defence electronic contractors, for the business. Previously, Siemens Plessey was teamed with Racal in competition with ITT on the Bowman contract. However, the two contractors decided to

work together as the cost of system's development ballooned. The MoD has yet to decide whether to accept the company's action. Possible buyers of Siemens Plessey include GEC Marconi, the defence electronics arm of General Electric Company, as well as TTT and Racal. The UK subsidiary's 3,500 staff were told this week that increasing competition and pressure for strategic alliances meant the business was too small to stand alone. Despite the problems with the two MoD contracts, Siemens said the move was not motivated by any immediate

problems with its own activities. Its defence electronics business had an order backlog of nearly £200m (\$310m) and was profitable, it said. Officials at Siemens Plessey in the UK, acquired by the German group following the 1999 break-up of Plessey, said staff had been reassured that every attempt would be made to safeguard their jobs. Although Siemens would not comment on its preferred option for the disposal, it indicated that the structure of a deal could resemble November's alliance with Thomson-CSF of France in the traffic management business, where it retained a minority interest.

The decision to dispose of the defence operations comes as Siemens, which last year had a turnover of DM54bn and 375,000 employees worldwide, is rethinking its corporate strategy. It hopes to cut costs, improve innovation and expand beyond the German market. It is selling some non-core activities to raise more than DM2bn to be spent on such core businesses as power equipment, telecommunications and transport systems. Dasa division sale, Page 16

**RTZ says goodbye to acronyms on road to Rio**

By David Blackwell in London

RTZ-CRA is going back to its roots. The world's biggest mining company, which yesterday reported a 30 per cent fall in pre-tax profits, is to change its name to Rio Tinto. RTZ-CRA was formed just over a year ago when shareholders voted for a tie-up between RTZ of the UK and CRA, its 49 per cent-owned Australian affiliate. Shareholders partial to corporate history will note that RTZ stood for Rio Tinto Zinc, while CRA was once Conzinc Riotinto of Australia. "It's a bit of a relief to depart from a double-barrelled name," said Mr Bob Wilson, chief executive, adding: "Rio Tinto has the great advantage of not being a potential acronym - so no RTs, please."

Conzinc Riotinto of Australia was formed in 1962 by the merger of Consolidated Zinc Pty with Rio Tinto Mining of Australia, a subsidiary of Rio Tinto Zinc.

RTZ's origins are deep in southern Spain, where the Rio Tinto copper mines have been exploited since Roman times. In 1873 a syndicate headed by Mr Hugh Matheson bid £3.7m (\$6m) for the properties, forming the Rio Tinto Company and developing it into the world's leading copper producer by the century's end. The original mines were sold back to Spanish ownership in the 1950s. But RTZ returned to the front rank of the world's copper producers with the 1989 acquisition of BP Minerals.

The importance of copper was reflected in yesterday's profits decline from \$2.46bn to \$1.78bn. The fall in average prices following the Summito copper scandal last summer knocked \$250m off the bottom line.

Meanwhile, the dual listed company structure will remain firmly in place, with CRA becoming Rio Tinto Limited and the RTZ Corporation becoming Rio Tinto plc. Both will continue to be separate legal entities with separate share listings and share registers. Shareholders will vote on the name change at the annual meetings in early May.

Observer, Page 13; Lex, 14; US hitch knocks RTZ, Page 21; Commodities, Page 28

**AmexCo president breaches a white stronghold**

By John Authers in New York

Mr Ken Chenault yesterday became arguably the most senior African-American businessman when he was appointed president of American Express, one of the 30 companies which make up the Dow Jones Industrial Average and a traditional bastion of the US Anglo-Saxon business establishment. Mr Chenault, who is 45, said: "I feel very strongly that race has not been a factor in my career at American Express and I have been able to move forward based on my achievement."

Mr Harvey Golub, American Express chief executive, made it clear the move established Mr Chenault as the prime candidate to succeed him. Mr Chenault will also be chief operating officer. All the company's divisions, including brokerage and bank as well as the core card business, will answer directly to him. Mr Golub, who is 58, does not intend to retire for another seven years. He will focus on "overall strategic leadership and direction". The position of president has been

vacant since September 1995. In the past year, Mr Chenault, as president of American Express's card business, has led its campaign to build links with banks, reversing the traditional policy of only issuing cards directly to consumers. This has caused an acrimonious legal dispute with the Visa and MasterCard banking associations, which prohibit their members from issuing American Express cards, a bar Mr Chenault has likened to the Berlin Wall.

He has also introduced a range of new products, aimed at business executives, to reduce the company's reliance on its traditional debit card. These include credit cards produced in conjunction with other organisations, including Visa and MasterCard. He said the company's priority was to build revenues, which it would do by increasing operations outside the US, building its brokerage and gaining market share in the US through its links with the banks. The company had reversed the long decline in its share of US card transactions last year. Further market share gains could be made without changes to the Visa and MasterCard rules.

Mr Chenault, a Harvard law school graduate and a former management consultant with Bain, joined American Express in 1984. He has received awards for his contribution to the community, including one from the Jackie Robinson Foundation, named after the first black man to break the big baseball leagues' "colour bar" 50 years ago. But he said: "I didn't have to go through the trials and tribulations Jackie Robinson went through. I've had a straightforward fair chance to get where I did on merit."



ABN Amro, the Netherlands' biggest bank, announced a 26.3 per cent jump in 1996 net profits to F13.5bn (\$1.7bn) but chairman Jan Kalff (pictured at a presentation yesterday) said it could not pledge to sustain that level of earnings this year. Report, Page 16; Banker pays price, Page 2

**MasterCard buys into Asia franchise**

By Louise Lucas in Hong Kong

MasterCard International, the credit and debit card issuer, has bought into the Asia franchise to develop and market the cash smartcard Mondex. The franchise, covering 13 Asian territories including India and China, was previously held by Hongkong and Shanghai Banking Corporation (HSBC), the global banking group. It continues to own 49 per cent of the joint venture. MasterCard, with 51 per cent, will be the managing partner.

Mondex is a leading developer of "electronic purses" - plastic cards with memory chips that can be "loaded" with cash and used for small purchases. MasterCard's move, still pending final approval, comes barely a week after the company became the controlling partner of Mondex International, the London-based independent payments company. Mondex has sold the franchise to its card to banks in more than a dozen countries.

Mr James Cassin, Asia Pacific region president of MasterCard International, said that by teaming up with HSBC the two parties would be able to accelerate roll-out of the scheme in Asia. There would be scope for cross-selling and

cross-packaging with other MasterCard products, as well as automatic licensing agreements with existing merchants, he added. The acquisition pitches MasterCard against its rival Visa and shows the importance of the Asian market for the two biggest card issuers. Visa launched its own "electronic purse" in Hong Kong in August, two months before an introductory scheme for Mondex was launched there, and issued 80,000 of the cards within a month.

Mondex claims more than 30,000 card holders in the colony and full roll-out is scheduled for the third quarter of the year. Hong Kong, as one of the region's most advanced and technologically sophisticated markets, is seen as a litmus test for the two competitors.

Singapore, which also ranks as a highly sophisticated market, is regarded as less attractive because its government is weighing into the game with its own multipurpose chip card for transport and other uses. Mr Cassin warned that the move to a cashless society would be a lengthy one, especially in China and India - "potentially the most important countries in the world for payment systems".

**Philippines to offer sovereign century bond**

By Edward Luce in London and Justin Marozzi in Manila

The Philippines is to become only the second emerging market country to issue a sovereign 100-year bond in a launch which precedes similar moves expected from other Asian sovereign borrowers.

The Philippine "century bond", which at \$250m will be more than twice the size of China's debut 100-year bond last year, is expected to be launched in mid-April. At the same time, the Philippines will launch a debut 30-year bond issue of between \$500 and \$750m.

"Century bonds are really coming into fashion," a bond analyst in New York said yesterday. "Borrowers like them because they yield only a fraction more than 30-year bonds but double the prestige and more than triple the maturity." Other countries expected to join the sovereign "century club" include Malaysia and South Korea according to bond underwriters. Kepco, South Korea's electric power corporation, raised \$208m in 100-year bonds last year.

Mr Gabriel Singson, governor of the Philippine central bank, said yesterday that the Philippines would increase the size of the \$250m issue if investor demand outstripped supply. The "Yankee bond", which will be sole lead managed by Salomon Brothers in New York, will be issued under SEC regulations. "Yankee" bonds are issued by foreign entities in the US.

The Philippines will be the fifth Asian entity, but only the second sovereign Asian borrower, to tap growing investor appetite for 100-year debt in the US. Earlier this year, Reliance Industries, the Indian petrochemicals to textiles group, launched the Indian subcontinent's debut century bond in an issue that was lead managed by Morgan Stanley and Merrill Lynch.

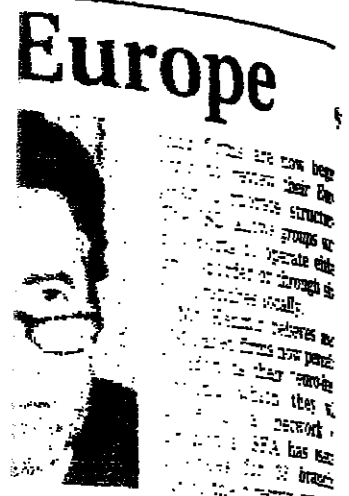
The Reliance bond was priced at 355 basis points (a basis point is a one-hundredth of a percentage point) above 30-year US Treasuries. The gap has since narrowed in the secondary debt market trading. "Investors like century bonds because there is a real shortage of longer-term debt around at the moment," said a bond trader in London. "It is partly a virility thing for the Philippines to be the first south east Asian economy to do it. But it is also a signal that it has made the grade."

The Philippine century bond is expected to be priced significantly higher than its 20-year debt which is trading at 155 basis points above Treasuries. The spread on the yield on China's debut 100-year debt has also narrowed since its launch.

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**Europe**  
The European market comes of age

**THE ITALIAN MARKET COMES OF AGE**



# It to close an car plant

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...the plant's closure...  
...the company's announcement...

# ringing up 15% in year

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## COS AND FINANCE: EUROPE

# MAN posts 27% first-half decline

By Sarah Althaus  
in Frankfurt

First-half net profits at MAN, the German truck, printing and plant construction group, slid 27 per cent, after a weakness at its printing subsidiary and a slump in the domestic market for commercial vehicles.

However, the group said yesterday the profits, down from DM110m to DM80m (\$47.4m), were in line with its forecasts and that it expected to make up for lost ground in the second half. Earnings for the current year to end-June would be flat at around the year-earlier level of DM330m, it said.

Analysts were disappointed and the shares shed DM5.50, or almost 2 per cent, to DM494. "The results were way below my expectations, but the saving grace was the sharp rise in new orders," said Mr Thomas Effler, analyst at WestLB in Düsseldorf.

New orders climbed 9 per cent from DM10.1bn to a record DM11bn, bolstered by a sharp rise in foreign demand. However, most of the increase came from long-term plant construction projects which have not yet been booked, leaving only a moderate 2 per cent rise in turnover, from DM8.7bn to DM8.8bn.

Domestic sales fell 10 per cent because of a weaker commercial vehicles market and a particularly strong first half in 1996-97, when MAN booked several big domestic contracts.

The group, however, was optimistic about the second half. It said: "In view of our high order backlog and the economic upturn, group sales and orders for the whole of 1996-97 should be sharply higher than last year."

MAN Roland, the printing machine manufacturer, was the black spot of the first half, with orders tumbling 19

per cent to DM931m. Demand remained weak, particularly in the sheet-fed printing sector, and orders for newspaper printing systems had been delayed, MAN said.

Orders were expected to pick up in the second half, but the division would remain in the red for the full year. MAN had previously predicted its printing operations would break even in 1996-97.

The commercial vehicles division, MAN's biggest business unit, lifted orders 6 per cent to DM3.8bn in the half-year, fuelled by foreign growth. The success of its updated range of trucks also contributed to the increase. Domestic orders were below year-earlier levels, despite a recovery in demand in the second quarter.

Orders rose 1 per cent in diesel engines, while the plant construction division registered a 1 per cent decline from last time.

# China deal for Banco Espírito

By Peter Wise in Xian, China

Banco Espírito Santo (BES), one of Portugal's leading banks, has agreed on a partnership with China Everbright, China's second-largest financial group. The tie-up is designed to link China with overseas financial markets.

State-owned Everbright is to acquire 48 per cent of Banco Espírito Santo do Oriente, the wholly-owned BES operation based in the Portuguese enclave of Macao, partly with a view to developing a retail banking network in southern China.

Mr Ricardo Salgado Espírito Santo, BES president, said yesterday the bank also aimed to provide Everbright's corporate clients, which are mainly based in northern China, with a "gateway" for raising finance abroad.

He said the bank would also provide financial services for the wide range of Chinese industrial, energy, transport and agricultural companies in which Everbright owns assets, often in joint ventures with foreign partners.

Mr Espírito Santo is part of a top-level business delegation accompanying Portugal's President Jorge Sampaio on a state visit to China. They arrived in the northern city of Xian yesterday after visiting Beijing and Shenyang.

Mr Sampaio said he had won the support of Chinese leaders to develop Macao, which returns to Chinese rule in December 1999, as an economic and business link between China and Europe.



Jorge Sampaio: plans to develop Macao as a business link between China and Europe

Among other projects, Efacec, Portugal's leading engineering company, is providing the technology and training for a plant that is to begin full production of electric transformers in Liaoyang in north-west China in October, involving an initial investment of \$30m.

CPL Cimentos, a Portuguese cement producer, is holding final talks on setting up a \$60m cement plant in southern China, said Mr Augusto Mateu, Portugal's economy minister.

# Bidders set to submit offers in Cosmote sell-off

By Kerin Hope in Athens

Three international mobile telephony operators - Orange of the UK, AirTouch of the US and Norway's Telenor - are expected to submit final bids today to set up and manage Greece's third cellular network in partnership with OTE, the state telecoms monopoly.

Bidders will offer a cash premium for 30 per cent of the equity stake in Cosmote, the OTE mobile telephony subsidiary set up earlier this year. The company's capital base is set at Dr50bn (\$190m) and another Dr50bn will be invested in the cellular network, which will introduce the DCS1800 system to Greece.

In a separate decision, OTE's board is supposed to decide today on the structure and timing of the second stage of its partial privatisation, following the flotation of 8 per cent of the company on the Athens stock exchange last March.

OTE officials are insisting that a capital increase should accompany the planned sale of at least 10 per cent of the company, with proceeds being shared equally between the government and the company. The disposal of a 10-12 per cent equity tranche would raise about Dr200bn, according to local analysts.

In the mobile project, a senior OTE official said the partner "would be selected by mid-March, with equipment tenders coming out immediately afterwards, so that we can have the network launched by the autumn."

Orange is said to have a slight edge in the bidding as the only shortlisted operator that has already set up a

DCS1800 network. Its marketing and customer service know-how could also be adapted to improve OTE's image with fixed-wire subscribers.

Cosmote's network would focus at first on Athens and Thessaloniki, the country's two largest cities, and would cover more than 80 per cent of mainland Greece and the islands by 2001. The company is looking to capture a 30 per cent share of a cellular market projected at 1.3m subscribers by the end of the century.

The number of subscribers to Greece's two GSM mobile networks, Panafon and TeleStet, have doubled in the past year, to 500,000, but this still represents a much lower penetration rate than in Italy and other western Mediterranean countries.

Vodafone of the UK recently raised its stake in Panafon to 50.5 per cent, indicating that Cosmote will face tough competition from the existing mobile operators. The other consortium partners are France Telecom and Intracom, the Greek telecoms equipment supplier.

TeleStet is controlled by Italy's Stet International, Nynex of the US and Interamerican, the Greek insurance group.

OTE was excluded from bidding for one of the two mobile telephony licences awarded in 1992 on the grounds that it could not provide the required quality of service.

However, Panafon and TeleStet have taken legal action against the government for breaking the seven-year exclusivity included in their licences by allowing OTE to establish a cellular network.

# Greek bottler raises \$110m

By Kerin Hope in Athens

Hellenic Bottling Company, the Coca-Cola franchiseholder for Greece, Bulgaria, Armenia and part of the former Yugoslavia, has raised \$110m in an international syndicated loan. The loan is to finance investments in eastern Europe.

HBC, listed in Athens, is part of the Cypriot-owned Leventis group. The loan is the first international syndication for a Greek private sector company. Alpha Credit Bank of Greece acted as senior lead manager, with Citibank, NatWest, Bank of America, Lloyds Bank and American Express co-leading.

The five-year syndicated loan was heavily oversubscribed. Its interest rate is Libor plus 67 basis points, with a one-year moratorium before repayment in four equal instalments.

HBC said yesterday it had agreed to pay 84m dinars (\$15.5m) for 68 per cent of IBP Beograd, the leading soft drinks bottler in Serbia, and will spend a further \$24m this year in boosting capacity at the plant and improving distribution.

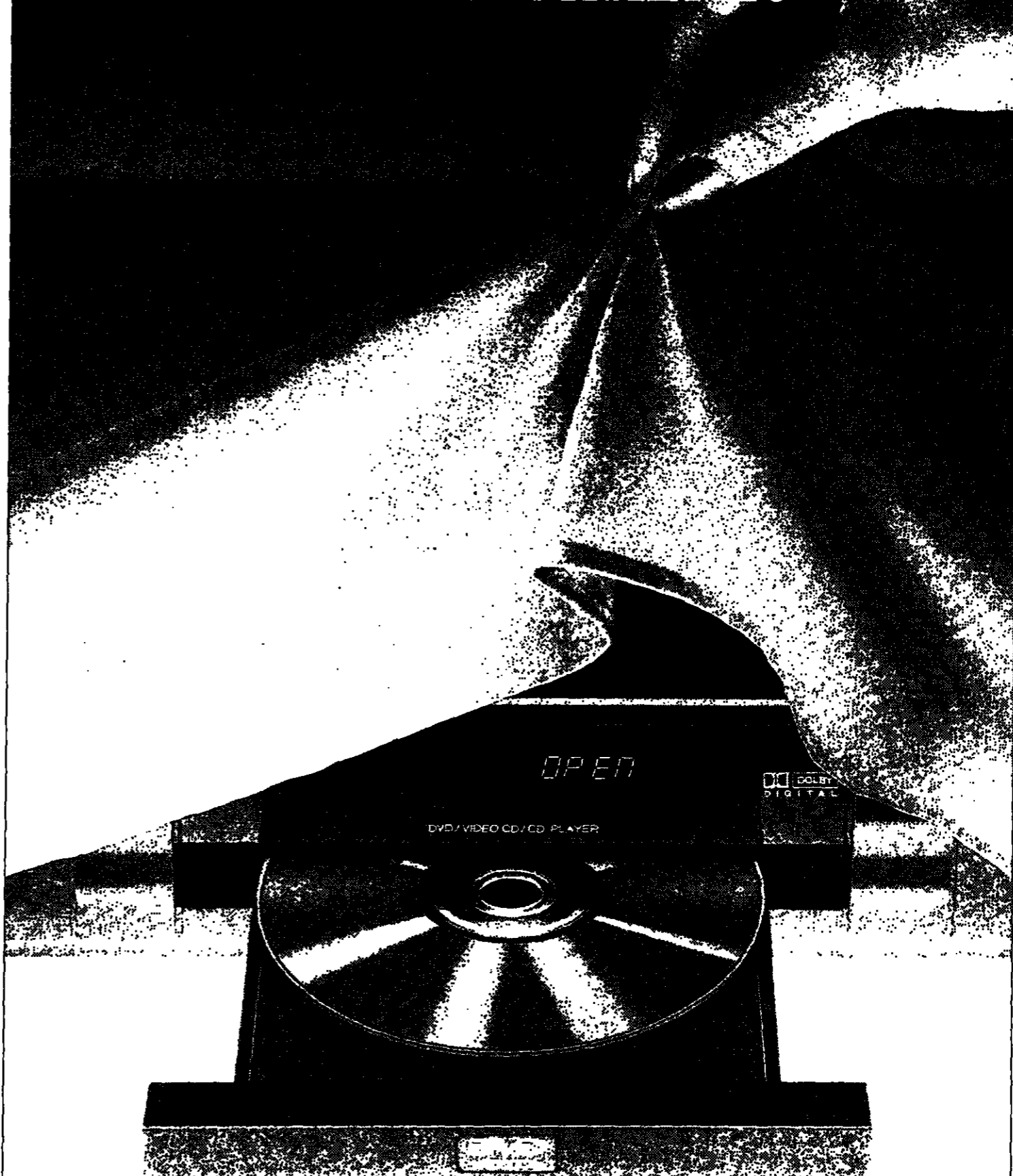
HBC is also about to acquire a 51 per cent stake in Pivara Skopje, the Macedonian beer and soft drinks producer, through a joint venture with Athenian Brewery, the Heineken affiliate in Greece. It intends to spend \$20m on the acquisition and upgrading.

In addition, it will participate in the Leventis group's plans to build bottling plants in the former Soviet Union, through its stake in Molino, a Luxembourg-based Leventis company.

HBC is listed on the Athens stock exchange.

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\*8.5 GB capacity refers to dual-layer DVDs. Single-layer DVDs have a 4.7 GB capacity.



## Optus hampered by courtroom struggle

By Nikki Tait in Sydney

It looks like a typical corporate legal wrangle, lawyers scoring points across a Sydney courtroom, witnesses being quizzed about confidential letters, deal-making documents being offered as evidence.

But the implications of a legal challenge by Seven Network, the Australian media group run by Mr Kerry Stokes, against the other shareholders in Optus Vision, one of Australia's two pay-TV suppliers, have spread beyond Court 11c.

First, the case has caused a \$4.5bn (US\$3.1bn) flotation of Optus Communications, Australia's second telecommunications carrier, to be put on hold. Secondly, it has undermined shares of Mayne Nickless, the transport company which has the largest single stake in Optus with 24.9 per cent.

Finally, this week it prompted a delay in the release of Optus' half-year results, so that the group's shareholders - including Cable and Wireless of the UK and BellSouth of the US - can assess the untidy situation.

All this is a window on the byzantine, lawyer-ridden world of Australian pay-TV, which even Mr Rupert Murdoch, the media magnate, recently confessed he did not understand.

The three-year-old industry comprises two main operators. One is Foxtel, a joint venture between Mr Murdoch's News Corporation and Telstra, the large government-owned telecoms group. The other is Optus Vision, currently owned by Optus Communications US West (the US telecoms group), Mr Kerry Packer's Publishing & Broadcasting group, and Seven.

These consortia are laying rival cable networks and battling for programming rights, notably in the sports sector, as well as for subscribers.

Last year, Australia Media, a third, smaller group which held a valuable satellite

## Mayne Nickless slides

Profits at Mayne Nickless, the Australian transport and healthcare group, fell to A\$43.1m (US\$33.5m), after tax and abnormal items, in the six months to December 29, down from A\$50.1m in the same period a year ago, writes Nikki Tait. Sales were 6.3 per cent lower at A\$1.38bn. The group said the result reflected restructuring in its contract logistics and express delivery divisions. Pre-tax profits from the former were static at A\$38m, while the latter dipped from A\$29.1m to A\$24.7m. The expanding healthcare division advanced from A\$29.5m a year ago to A\$44.1m. The company added that its changing business mix meant less bias towards the first half. Mayne also revealed first-half figures from Optus Communications, the telecoms group in which it has a 24.9 per cent interest. Optus' revenues rose 32 per cent to A\$1.19bn in the six months to end-December, while profits before tax were A\$58m, up from A\$7m last time. Earnings before interest, tax, depreciation and amortisation were 63 per cent higher, at A\$309m.

broadcasting licence, got into financial difficulties. PBL came to the rescue and engineered a deal on the satellite front between Australia and Optus Vision. As a reward, PBL was given options which could allow it to increase its holding in Optus Vision from 5 to 33 per cent.

But Seven, which owns only 2 per cent of OV, alleges the deal was done without its knowledge, and claims that, by going behind its back, the other OV investors breached the original OV shareholders' agreement.

If this is true, there is a clause stipulating that Seven should be allowed to buy out the other investors at a discount, under a pre-determined formula. According to some calculations, the price for the other 98 per cent of OV could be about A\$700m, or just over half the monies invested in it to date.

Optus' lawyers reply that there were good competitive reasons for not consulting with Seven - in particular, Mr Stokes' "substantial" relationship with News, which holds a stake in the Perth-based group. There is also disagreement over the various valuations put on OV.

For Optus, and for Mayne Nickless, this legal brouhaha has been unwelcome. Optus,

having already delayed its stockmarket listing because of management changes, hoped to get the float behind it last year. However, the uncertainty surrounding Optus Vision - in which it holds a 46.5 per cent stake and whose calls are scheduled to carry Optus' local telephone service - means listing plans are on hold.

Unless there is a speedy resolution, Optus could face the task of selling stock to investors just as full deregulation of the telecoms market in Australia gets underway. And if the legal proceedings are really prolonged, Optus could collide with the much larger A\$8bn partial privatisation of Telstra.

Mayne, meanwhile, is keen to expand its healthcare and logistics businesses. It had planned to sell off its Optus stake as part of the flotation, thus raising vital funds. Instead it has seen debt rise.

Yesterday the company said it was looking at alternative means of selling its Optus holding and intends to have the deal done by June or July. "I've no doubt if we do not exit Optus [by then] it will inhibit our ability to grow the business," said Mr Bob Dinkel, managing director.

In Court 11c, the case continues.

## Tamsa steels itself for low prices

The Mexican pipe maker is limiting expansion in spite of robust 1996 profits

Impressive full-year results from Tamsa, announced on Wednesday, indicated that the Mexican steel pipe company is benefiting from its drive to expand exports.

Tubos de Acero de México, one of Mexico's largest companies, has in the past few years been working to rely less on its biggest client, Petróleos Mexicanos (Pemex), the state oil group. It now exports its seamless steel pipe to 40 countries.

Record exports and a doubling of sales in the high margin domestic petroleum sector helped it announce a 37 per cent increase in 1996 sales from the year before, to 5,080m pesos (\$653m); and a 72 per cent jump in operating profits, to 1,520m pesos.

However, in spite of relentless efforts to produce more specialised pipes, the company remains vulnerable to changes in international prices. Price concerns have caused it to underperform the Mexican stock market by 10 per cent in 1997.

Mr Shayne McGuire, an analyst at Deutsche Morgan Grenfell in Mexico City, said: "Sales showed extraordinary growth because the company had excess supply, but that also affected margins, which were significantly lower than expected."

Fourth-quarter sales improved 43.7 per cent to 1,400m pesos, compared with the same period in 1996. Operating profits jumped 52.4 per cent to 372m pesos.

For the year as a whole, Tamsa announced net profits of 1,670m pesos, a tenfold increase; while net profits for the quarter were 285m

pesos, against a 200m peso loss before.

Although Tamsa is based in Veracruz, Mexico's largest port, the company has focused on the domestic market and Pemex for years. Pemex used to be such an indulgent client that it would leave unused some 20 per cent of its annual purchases, and sell the pipes back to Tamsa for scrap, at reduced prices.

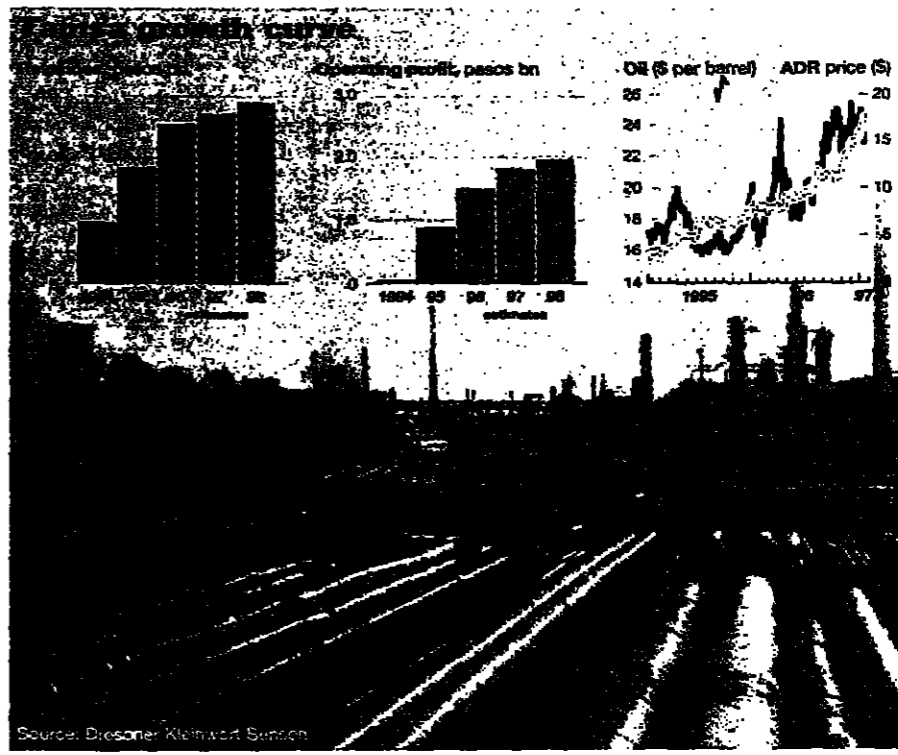
But Pemex began to slow its expansion after the oil glut of the early 1980s and Tamsa's sales stagnated. However, they received a boost in the early 1990s, when the founding Rocca family took control again. It slashed the company's workforce from 4,600 to 2,300 employees and focused more on international trade.

Tamsa benefited when the government renewed investment in the oil sector after the peso crisis of 1994-95. Although sales to the Mexican petroleum sector account for only 18 per cent of volume, they generate 30 per cent of revenues.

The higher margins in Mexico are partly because Tamsa now handles Pemex's pipe inventory, and partly because the Mexican industry drills exceptionally deeply for oil, requiring more expensive, more resistant pipes.

It should benefit from Pemex's investment drive. Totaling some \$6bn for the present year, it is set to continue in the medium term.

But the international market has been afflicted by persistent rumours that the weaker yen and the uncertain state of the Japanese



Source: Deutsche Morgan Grenfell

economy may force Japanese steelmakers to export pipes more aggressively, pushing prices down.

That possibility restrains Tamsa's plans. They are limited to a two-year \$65m investment plan, to improve quality and eliminate bottlenecks in the company's 600,000 tonne facilities, although Tamsa operates at 100 per cent capacity.

Gerardo Varela, chief financial officer, asked: "If the possibility exists that the Japanese companies should increase their presence in the market, why should we want to increase capacity so much?"

The investment will come out of cash flow, which was 1,880m pesos in 1996, and is expected to be the same this year.

point out that more than 55 per cent of exports are of alloy steel grade pipe, a more expensive product.

Tamsa's most promising market is denied it. Although it is relatively close to the oil wells of Texas, anti-dumping duties levied have shut it off from the US market.

Tamsa is planning to appeal this summer. But its executives complain that for them, the North American Free Trade Agreement might as well not exist.

Daniel Dombey

## Strong dollar hurts Kia Motors results

By John Burton in Seoul

Kia Motors, South Korea's second largest carmaker, reported a 39 per cent fall in net profits for 1996 to Won7bn (\$8m), because of foreign exchange losses and industrial unrest. However, sales rose 16 per cent to Won6,610bn.

Kia blamed the fall of the won against the US dollar for currency losses of Won19bn on its dollar-de-

nominated debt. Strikes last spring which disrupted production for several weeks also affected earnings.

Sales rose 8 per cent by volume to 770,147 cars. But domestic sales increased only 1 per cent to 447,213 cars, because of tough competition in a market that is stagnating.

Exports were up 19 per cent to 322,934 vehicles, including shipments of the Sephia to Indonesia, where it is sold under the local Timor badge.

Kia Motors has set its 1997 sales target at Won8, or 950,000 cars, including exports of 410,000 vehicles. Analysts believe it might be difficult to meet this goal.

Total domestic car sales are expected to remain stagnant or even to decline, while exports could be hurt as the weak yen benefits Japanese carmakers at Koreans' expense.

In response to sluggish sales at home, Kia is planning to build a

network of assembly plants in Asia and produce a new small Asian car, based on its Sephia or Pride models.

It is planning to establish component plants in Thailand, the Philippines, Malaysia, India and Iran. It intends to increase overseas production from 70,000 vehicles last year to 520,000 cars by 2001, including Egypt, Brazil, Russia and Poland, in an effort to boost foreign sales to 800,000 vehicles by then.

## Valeo

### STRONG RISE IN VALEO'S RESULTS IN 1996

Valeo's Board of Directors meeting on February 25, 1997 closed the Group's consolidated financial statements for 1996.

**■ Results 1996:** Consolidated sales are confirmed at FF 28.9 billion, up by 14.4% over 1995. 2.5 points of which are related to the net extension of the Group's reporting entity and 1 point due to currency variations.

**■ International sales** increased by 23%, accounting for 88% of consolidated sales against 63% in 1995. Original equipment sales rose by 15% over 1995, while aftermarket sales increased by 8%.

**■ Gross margin** was up by 16.3% and operating income by 35.7%. Income before tax stands at FF 1,484 million, up by 37.4% over the previous year. This increase would have been 58.9%, excluding the extraordinary capital gain of FF 145 million made in 1995.

**■ Net income** after minority interests increased by 18.8% to FF 1,200 million, that is 4.2% of consolidated sales.

**■ At end 1996**, the Group's Stockholders' equity rose to FF 10,556 million after the payment of an extraordinary dividend of FF 700 million. Net indebtedness stood at FF 673 million, that is 6% of equity.

**■ Dividend 1996:** An extraordinary dividend was paid out on November 18, 1996 amounting to 10 francs net per share, 15 francs including tax credit. The General Meeting of Shareholders will be asked to approve an additional dividend of 2 francs per share, that is 3 francs including tax credit. The total dividend paid out by Valeo for 1996 would therefore be 12 francs (18 francs including tax credit), representing an extraordinary pay-out ratio of 70%.

**■ Other significant events 1996:** The sale of Cerus' 27.4% stake in Valeo was concluded in November 1996, without causing any disruption to the Group which continued to pursue its objectives. CGIP became Valeo's largest shareholder with 20% of share capital, while the Caisse des Dépôts et Consignations (CDC) increased its shareholding to nearly 7%. The Group thus has the shareholding structure necessary to develop its strategy as an independent supplier.

In FF millions	1996	1995	% change
Sales	28,870	25,230	+ 14.4%
Gross margin	5,765	4,955	+ 16.3%
Operating income	1,849	1,363	+ 35.7%
Income before tax	1,484	1,080	+ 37.4%
Net income after minority interests (% sales)	1,200 (4.2%)	1,010 (4%)	+ 18.8%
Cash flow	3,021	2,550	+ 18.5%
Capital expenditures	2,323	2,118	+ 9.7%
Stockholders' equity at 12/31	10,556	10,000	+ 5.6%
Net indebtedness at 12/31	673	171	

**■ As in previous years** Valeo's sales in Europe, North and South America and in Asia outperformed automotive output in these areas making 1996 another growth year for Valeo.

**■ Through a volume effect and productivity gains**, Group Branches showed that they were capable of cutting costs and offering their customers competitive products.

**■ To accelerate its evolution**, Valeo actively managed its portfolio of activities by strengthening its presence in fast expanding markets such as air conditioning through stakes acquired in the Czech company KSA and in the Argentine group Il Tevere/Mingor, or security systems with the purchase of Fiat SpA and the lock systems activity of Ymos AG. Non-strategic businesses were sold.

**■ Outlook 1997:** At the start of 1997 the automotive market looks set to stay at the present high level in Europe, North America and Asia but should be more active in South America. Group objectives for the coming year remain focused on dynamic growth based on cost reduction, quality improvement, innovation and globalization.

SHAREHOLDER INFORMATION - VALEO - 43, RUE PAVEN - 75017 PARIS - FRANCE

#### NOTICE TO HOLDERS OF THE CONVERTIBLE BONDS OF

##### Ushio Corporation

Yen 10,000,000,000

% per cent, Convertible Bonds due 1998

"Revision of the Conversion Price"

Notice is hereby given pursuant to Condition 8(A) (ii) of the Convertible Bonds that the Conversion Price of the Captioned Convertible Bonds will be revised downward as follows:

- 1) Conversion Price before revision: Yen 2,550.40 per Share
- 2) Conversion Price after revision: Yen 2,045.00 per Share
- 3) Effective date of revision: 3rd March, 1997 (Japan time)

Ushio Corporation Tokyo, Japan

28th February 1997

#### MURRAY UNIVERSAL

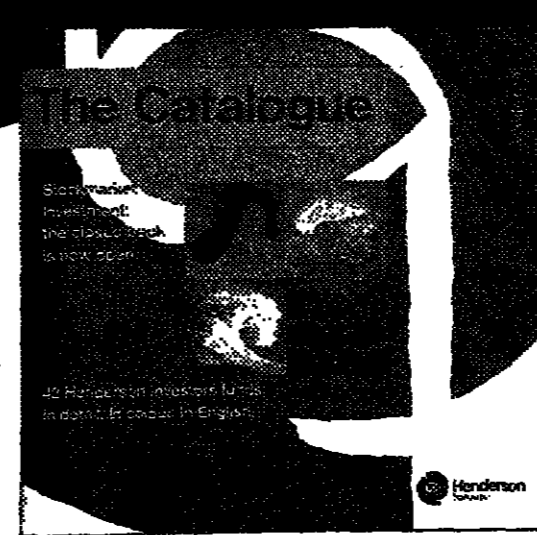
Société d'Investissement à Capital Variable  
Registered office: 30, avenue J.F. Kennedy, L-1855 Luxembourg  
Commercial Register: Section B 8.621

##### NOTICE TO SHAREHOLDERS

Shareholders in Murray Universal are hereby advised that starting 1st April 1997, the aggregate fee payable to the Investment Adviser shall be increased from 1.00 per cent to 1.25 per cent of the average Net Asset Value of each Portfolio to be determined at the end of each month during each calendar quarter in accordance with the Articles.

MURRAY UNIVERSAL  
The Board of Directors

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## COMPANIES AND FINANCE: THE AMERICAS

## Schering upbeat as drugs sector surges

By Tracy Corrigan in New York

Schering-Plough, the US drugs company, yesterday predicted strong financial results in 1997, underpinning the bullish mood in the US pharmaceuticals industry.

Mr Richard Jay Kogan, president and chief executive officer, said he expected "another year of good earnings growth, with the percentage increase for earnings per share around the low to mid teens".

This year, US pharmaceutical stocks are up 13 per cent compared with an 8 per cent rise in the Stan-

dard & Poor's 500 index. Analysts expect pharmaceuticals companies to produce earnings growth of about 15 per cent this year, when slow economic growth has made it difficult for most companies to increase earnings substantially.

"Right now, demand and underlying business trends for many of the major pharmaceutical companies are quite positive," said Mr Ken Kulju, pharmaceuticals analyst at UBS Securities. "Earnings estimates have been steadily ratcheting up since the second half of 1996."

One reason is the more rapid flow of new products. Last year, a record of more than 50 new drugs were approved for marketing by the US Food and Drug Administration, nearly twice the number the previous year. This is partly the result of political pressure on the regulatory authority to speed up approval of urgently needed drugs for critical illnesses such as AIDS.

In the past two years Merck has "introduced eight new medicines, all representing significant advances in patient care," said Mr Raymond Gilmarin, chairman

and chief executive, yesterday.

Companies are investing more than ever in developing new drugs. Schering-Plough said yesterday it would increase its research and development spending by 12 per cent to a record \$810m this year. Others are spending even more: Pfizer's budget is up 20 per cent to a record \$2.6m.

Furthermore, according to Mr Jerome Brimley, managing director at Lehman Brothers, new drug discovery processes such as compound screening "will hasten the drug discovery process

over the next 5-10 years".

While managed healthcare companies have managed to subdue drug price inflation - to less than 2 per cent in 1996, according to pharmaceuticals information company IMS - sales volume has risen rapidly.

"Managed care companies are seeing value in writing a prescription rather than paying a hospital bill," said Mr Kulju. The growth is signalled by the fact that companies such as Pfizer are expanding their sales forces to cope with strong demand.

## Angelini plays waiting game

Snapping up Copec was one man's crowning glory, but it led to a long legal battle with a US group, says Imogen Mark

In 1973, Mr Anacleto Angelini, then the owner of a small fishing fleet, was under pressure to sell out to the Chilean state. Playing for time, he told the government minister he had to consult his board. "Fine," said the minister, "there's the bathroom, go and look in the mirror, then give me your answer."

What was true a quarter-century ago is doubly true today. The Angelini group, one of Chile's top three or four business conglomerates, is not a group but one man, "don Anacleto". He takes all policy decisions for his companies, which range from fishing and forestry products to insurance and retail.

But at 83, and childless, he has no family successor - unlike the other two big Chilean family groups, the Mattes and the Luksics, both of which are run by new generations. Nor has he divested ownership substantially to the public, like the smaller Claro group, or the Enersis holding. Worst of all, Copec, a forestry-to-energy-to-retail conglomerate that is the second biggest Chilean private company and the cornerstone of his empire, is embroiled in a bitter shareholder dispute with International Paper of the US, his unwilling sleeping partner.

Buying Copec in 1986 was the crowning triumph for Mr Angelini. He is a tenacious businessman, averse to risk but with a sharp eye for opportunities, says a former colleague. Italian by birth, he arrived in Chile as an immigrant of modest means in 1943. His first enterprise was a paint factory, but in

the mid-1950s he got a small stake and a management contract in a fishing company, Eperva. Later he acquired another fishing company, and diversified into farming and forestry.

When the socialist Allende government was overthrown in 1973, Chile offered rich pickings as the military regime sold off dozens of companies and banks which had been nationalised. Mr Angelini acquired more fishing interests and became the biggest operator in the industry. He added another forestry company and its forests, and later formed a private pension fund, jointly with the Mattes group, and a general insurance company, which is now the biggest in the field.

In the mid-1980s there was a second round of fire sales, this time as a result of the collapse of the two biggest business groups. In late 1985

than it is today. So Mr Angelini brought in a partner, Carter Holt Harvey (CHH), a New Zealand forestry company with whom he already had a small joint venture.

Into Los Andes, a jointly-held investment company, the New Zealanders put US\$202m and Mr Angelini his Copec shares. Los Andes underwrote a new share issue and bought additional packages on the stock market to bring its holding in Copec up to 60 per cent. CHH gave Mr Angelini a 20-year mandate to manage Copec, and he gave Mr Ken Carter a courtesy seat on the board of Celulosa Arauco, its forestry subsidiary.

The deal worked amicably, for a time. Clear of debt, the company re-invested a steady 70 per cent of its profits every year, according to Mr Angelini's unalterable policy.

**In 1991, the Carters sold control of CHH to International Paper, which had long wanted a southern hemisphere arm. Mr Angelini 'all of a sudden found he had King Kong in his living room'**

Mr Angelini began buying up shares in one of them, Copec, then Chile's biggest private company, with assets valued in 1985 at \$470m and sales of \$201m, to reach a controlling 40 per cent.

However, Copec had debts of \$241m, and Chile in 1986 was a much riskier prospect

By last year Copec's assets were worth \$55m, and sales were \$2.6bn. Its biggest asset, Celulosa Arauco, an export wood pulp producer, was up from \$70m to a million tonnes a year, with solid forestry reserves to feed it.

But in 1991, the Carters sold control of CHH to Inter-

national Paper, the biggest pulp and paper maker in the industry, which had long wanted a southern hemisphere arm.

Mr Angelini "found he had King Kong in his living room," says an industry analyst.

The new management in CHH began pressing for a more active role in Copec, and in 1993 started legal proceedings to get the shareholder agreement overturned. In 1994 Mr Angelini took his case to arbitration, asking for an exclusion agreement which would force his partners to sell him their 30 per cent stake in Copec for \$618m, the adjusted book value of their investment. Copec has a current market capitalisation of \$5bn.

Mr Angelini's only concession in the subsequent mediation has been to offer to let CHH keep a minority shareholding, an offer they refused.

If the decision, expected by the year-end at the latest, goes in Mr Angelini's favour, CHH will be forced out of Chile. If it goes against him, CHH will no doubt press again to renegotiate the contract.

Industry sources think they could leave Mr Angelini with management of the existing Chilean interests, but would push Copec into investing abroad, and down-streaming into more value-added products.

Mr Angelini may refuse to negotiate - the original contract is valid until 2007, and legal proceedings could drag on for years. But time is not on his side



One man group: Angelini has no desire to share Copec

If he wants to leave an orderly succession, his holding is expected to pass to his nephew, who does not have his tough-mindedness or business skills.

In the long term, thinks one former executive, his various interests and Copec will be broken up into the

core businesses, and new management brought in. Mr Angelini's group will end, as it began, with him.

This is the fifth in a series on Latin American companies. Previous articles have run on January 17, January 27, February 13 and February 18.

## AMERICAS NEWS DIGEST

## Nortel names Roth as chief

Northern Telecom has named Mr John Roth chief executive, replacing Mr Jean Monty, who has led a turnaround at the Toronto-based telecommunications equipment supplier over the past five years. Mr Monty, 49, will return in October to an unspecified position at BCE, Nortel's parent and Canada's biggest publicly-traded company. He is strongly favoured to take over from Mr Red Wilson, current BCE chief executive, who is nearing retirement.

Mr Monty is expected to spearhead a drive by BCE to expand its international horizons through acquisitions and joint ventures. Through a subsidiary, Bell Canada International, BCE recently acquired a 14.2 per cent stake in Cable and Wireless Communications, the UK-based group created through the merger of Mercury Communications and three other telecom companies.

Mr Monty has worked for BCE for 23 years. Before moving to Nortel, he was chief executive of wholly-owned Bell Canada, the country's biggest local telephone company. Mr Roth, 54, is currently Nortel chief operating officer. An electrical engineer, he joined the company in 1989 and spearheaded its entry into the wireless business in 1991.

Nortel shares, which have more than tripled in the past four years to a peak of C\$104.50, lost C\$1 to C\$98 in Toronto in early trading.

Bell Canada is forecasting a 19 per cent gain in 1997 operating earnings to C\$860m (US\$622m), up from C\$741m on revenues of C\$8.7bn in 1996. The utility is entering the third year of a restructuring that will cut the workforce by 10,000, or 25 per cent.

Robert Gibbons, Montreal

## Telebras headline result up

Telebras, the Brazilian government-controlled telecommunications holding company, yesterday released headline results for 1996 showing net profits at R\$3.25bn (US\$3.09bn), up from R\$4.18bn in 1995. Consolidated profits rose from R\$4.18bn to R\$2.76bn, and earnings per 1,000 shares rose from R\$3.52 to R\$10.15. The figures take no account of inflation of about 10 per cent during the year. Telebras declined to comment until its full balance sheet is published next week.

The partial result is in line with market expectations. Telebras has been publishing monthly figures since the middle of last year in an effort to dampen market speculation. Its shares account for about 60 per cent of trading on the São Paulo Stock Exchange, and its American depository receipts are among the most liquid on the NYSE.

Jonathan Wheatley, São Paulo

## ITT strengthens Sheraton arm

ITT, the US hotel and casino company fighting a \$6.5bn hostile takeover bid by Hilton Hotels, yesterday said it had moved to strengthen its ITT Sheraton hotel business by adding 28 hotels - more than 7,000 rooms - in the first two months of this year. They included 18 Four Points hotels in the US, Canada and Israel and 10 Sheraton hotels and resorts in nine countries outside the US.

Only one of the deals - the acquisition of the Sheraton Ambassador Hotel in Monterrey, Mexico, for \$15m - was an outright purchase. At most of the other 27 hotels, ITT Sheraton was selected to run the hotels under management contracts.

ITT also confirmed that it had entered the bidding to buy SEAT, an Italian yellow pages directory publisher being privatised by the Italian government. ITT has indicated that it will sell its own yellow pages operation, the biggest in Europe, as part of its defence against Hilton Hotels; but it said the operation would be worth more with SEAT included.

Richard Tomkins, New York

## Applied Magnetics shares fall

Shares in Applied Magnetics, the disk drive component manufacturer which has launched a hostile bid to acquire rival Read-Rite, have fallen sharply since the bid was announced on Monday. Applied offered 0.675 of its own shares for each share of Read-Rite. Based on Friday's closing prices, this represented a 38 per cent premium over Read-Rite's share price.

However, with Applied trading yesterday at \$42.92, down from last week's close of \$55.74, analysts said the terms of the bid would need to be sweetened if it was to succeed. Read-Rite, which has said only that it was surprised by the hostile bid, was trading yesterday at \$33.94, up \$5.44 from Friday's close.

Louise Kehoe, San Francisco

## JP Morgan to advise Guatemala

US bank J.P. Morgan has been selected to advise the government of Guatemala on the privatisation and sale of Guatel, the country's telecommunications monopoly. "The structure has not yet been decided but the idea is to sell a controlling stake to an international strategic operator," said Mr Richard Duron, head of Latin American mergers and acquisitions at J.P. Morgan.

Guatemala's telephone penetration is 3 per cent with an estimated waiting list of nearly 1m lines, according to the company, which is expected to be valued at about \$1bn. Employees may be given 5 per cent of the company's stock, in a move to placate the unions, leaving up to 95 per cent in the hands of the strategic buyer.

Tracy Corrigan, New York

## Rivals watch for weakness in 3Com merger

The acquisition by 3Com of US Robotics is aimed at creating another networking powerhouse to rival the size and market power of Cisco Systems, the industry leader. It is the largest deal so far in a series of mergers and acquisitions as the fast-growing industry consolidates.

The combination will form a company with annual revenues of close to \$850m. Cisco's fiscal 1997 revenues are forecast at about \$6.5bn.

For 3Com, the deal is an opportunity to expand into other segments of the market, notably personal computer modems and equipment used by Internet service providers to link customers to the global net-

work. 3Com, in contrast, is a long-time leader in the field of office network equipment. Its core products are "network interface cards" - circuit boards that are plugged into PCs to link them to office networks.

There is almost no overlap between the two companies' products, according to Mr Eric Benhamou, 3Com chairman and chief executive. Each, however, has been spending heavily on research and development to enter the arena of the other. The "merger" would enable big savings in development costs, he said. The enlarged 3Com would continue, however, to focus "on the edge of the network" with products that link computers.

In contrast, Cisco is the leading supplier of equipment used at the "core" of data communications networks including routers and switches which direct network traffic.

The trend toward consolidation in the networking industry is being driven, say industry executives, by the corporate demands for "end-to-end" solutions from a single supplier, as they invest in networks to link global operations as well as customers and suppliers. Other factors have been the rapid development of new networking technologies and the high valuations of some networking companies' shares in the past two years. In many cases, it has been

less expensive for computer networking companies to acquire new technology through stock-swap deals than to develop it in-house.

Industry consolidation will continue, Cisco said yesterday, commenting on the 3Com deal. The challenge now facing 3Com would be to merge successfully two companies with differing products, sales channels and cultures.

Industry analysts predicted competitors would be quick to try to take advantage of the merger "trauma" at 3Com. Some analysts also questioned the timing of the deal.

3Com's share price, which hit a high of \$81 in Decem-

ber, was trading at \$39 before the deal was announced after the close of trading on Wednesday. Yesterday, it retreated further to trade at \$36.4.

The terms of the deal have been fixed at 1.75 3Com shares for each share of US Robotics. This means the value placed on US Robotics has already fallen from the \$6.5bn original price to about \$5.5bn. US Robotics shares yesterday gained \$2.94 in the morning to trade at \$34.

Mr David Thor, of Sherwood Research, a market research group, said the planned merger was a "defensive" move in an increasingly competitive environment.

3Com has been facing

intense competition from Intel in the market for network interface cards, while US Robotics' new high-speed 56Kbps modems are already being challenged by a newly formed consortium - including Compaq Computer, Cisco Systems, Hewlett-Packard, Rockwell and Lucent - that is backing an alternative and incompatible standard.

Yet with growth in the networking equipment sector expected to continue at greater than 30 per cent a year for the rest of the century, with worldwide revenues rising from \$28bn in 1996 to about \$72bn in 2000, the opportunities remain strong.

Louise Kehoe

**ECU 3,000,000,000**  
Euro Medium Term Note  
and  
Euro Depositary Receipt Programme  
of  
**Lavoro Bank Overseas N.V.**  
and  
**Banca Nazionale del Lavoro S.p.A.**  
Series N° 5  
**Banca Nazionale del Lavoro S.p.A.**  
London Branch  
**US\$ 200,000,000 Floating Rate Depositary Receipts due 1999**

In accordance with the terms of the Series N° 5 Depositary Receipts the "Receipts" described in the Pricing Supplement dated as of August 22, 1994, notice is hereby given that for the Interest Period from February 28, 1997 to May 30, 1997 the Receipts will carry an Interest Rate of 5.8% per annum.

The Interest Amount payable on the relevant Interest Payment Date, May 30, 1997 will be US\$ 14.86 per Receipt of US\$ 1,000, US\$ 146.61 per Receipt of US\$ 10,000 and US\$ 1,486.11 per Receipt of US\$ 100,000.

The Calculation Agent  
**Kredietbank Luxembourg**

**ANZ Bank**  
Australia and New Zealand  
Banking Group Limited  
ACN 005 197 922  
(Incorporated with limited liability in the State of Victoria)  
up to US\$ 250,000,000

**Subordinated Floating Rate Notes due 2000**  
of which US\$ 140,000,000 is the initial tranche and US\$ 110,000,000 is the subsequent tranche

NOTICE IS HEREBY GIVEN that pursuant to Condition 1(c) and 1(d) of the ANZ Bank will make all of the Notes as their principal amount on the next interest payment date, 28th April, 1997, when interest on the Notes will cease to accrue. Repayment of principal will be made upon presentation and surrender of the Notes, with all unremitted coupon amounts, at the offices of any Trustee Agents listed below.

**Trustee Agents**  
Bankers Trust Company  
1 Appal Street  
Burlington  
London EC2A 2HE

**Bankers Trust Luxembourg S.A.**  
14 Boulevard F.N. Roosevelt  
L-2450 Luxembourg

**Credit Suisse**  
8 Paradeplatz  
CH-8001 Zurich

Annual interest due on 28th April, 1997, will be paid in the normal manner on or after that date against presentation of Coupons No. 14.

**Bankers Trust Company, London**  
28th February, 1997

**Fiscal Agent and Agent Bank**

**Republic of Austria**  
**US\$350,000,000**  
Floating rate notes 1997

Notice is hereby given that the notes will bear interest at 5.50% per annum from 28 February 1997 to 30 May 1997 will amount to US\$13.90 per US\$1,000 note, US\$139.03 per US\$10,000 note and US\$1,390.28 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company  
**JPMorgan**

**First Bank System, Inc.**  
**US\$200,000,000**  
Subordinated floating rate notes due 2010

Notice is hereby given that for the interest period 28 February 1997 to 30 May 1997 the notes will carry an interest rate of 5.6875% per annum and that the interest payable on the relevant interest payment date 30 May 1997 will amount to US\$143.77 per US\$1,000 note and US\$1,437.77 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company  
**JPMorgan**

**Wells Fargo & Company**  
**US\$200,000,000**  
Floating rate subordinated notes due 2000

In accordance with the provisions of the notes, notice is hereby given that for the interest period 28 February 1997 to 29 August 1997 the rate of interest will be 5.875% per annum. The interest payable on 29 August 1997 will be US\$29.01 per US\$1,000 note and US\$290.11 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company  
**JPMorgan**

**Morgan Grenfell Group plc**  
**US\$200,000,000**  
Unrated primary capital floating rate notes

For the interest period 28 February 1997 to 29 August 1997 the rate of interest will be 5.875% per annum. The interest payable on 29 August 1997 will be US\$29.01 per US\$1,000 note and US\$290.11 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company  
**JPMorgan**

**BANCO CENTRAL DE LA REPUBLICA DOMINICANA**  
**PDI BOND DUE 2009**

In accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month Interest Period from February 28, 1997 to August 29, 1997 the Bonds will carry an Interest Rate of 6.4375% p.a. and the Coupon Amount per U.S.\$1,000 nominal of the Bonds will be U.S.\$32.55.

February 26, 1997, London  
By: Citibank, N.A. (Corporate Agency and Trust), Agent Bank **CITIBANK**

**BANQUE NATIONALE DE PARIS**  
Programme for the Issuance of Debt Instruments  
USD 5,000,000,000

**Fixed/Floating Rate Notes due 2005**  
Series 73 Tranche 1

Notice is hereby given that the rate of interest for the period from February 28, 1997 to August 29, 1997 has been fixed at 6.4375% per annum. The coupon amount due for this period is US\$ 32.55 per US\$1,000 nominal of the Bonds and is payable on the interest payment date August 29, 1997.

**DNP** The Fiscal Agent  
Banque Paribas de Paris (Luxembourg) S.A.

**BANQUE NATIONALE DE PARIS**  
Programme for the Issuance of Debt Instruments  
USD 5,000,000,000

**Fixed/Floating Rate Notes due 2005**  
Series 73 Tranche 1

Notice is hereby given that the rate of interest for the period from February 28, 1997 to August 29, 1997 has been fixed at 6.4375% per annum. The coupon amount due for this period is US\$ 32.55 per US\$1,000 nominal of the Bonds and is payable on the interest payment date August 29, 1997.

**DNP** The Fiscal Agent  
Banque Paribas de Paris (Luxembourg) S.A.

**ECU 500,000,000**  
**Caisse Francaise de Developpement**  
Caisse Francaise de Developpement  
Caisse Francaise de Developpement

For the period from February 28, 1997 to May 30, 1997 the Notes will carry an interest rate of 4.5000% per annum with an interest margin of 0.2500% per annum over the 3-month U.S. LIBOR rate. The relevant interest payment date will be May 30, 1997.

Agent Bank  
**BANQUE PARIBAS**

**U.S. \$500,000,000**  
**Lloyds Bank Plc**  
(Incorporated in England with limited liability)

**Primary Capital Unrated Floating Rate Notes (Series 2)**

For the three months, February 28, 1997 to May 30, 1997, the Notes will carry an interest rate of 5.8975% p.a. with a Coupon Amount of U.S. \$143.77 payable on May 30, 1997.

By: The Citibank N.A. Bank  
London, Agent Bank

**U.S. \$600,000,000**  
**Lloyds Bank Plc**  
(Incorporated in England with limited liability)

**Primary Capital Unrated Floating Rate Notes (Series 3)**

For the six months, February 28, 1997 to August 29, 1997, the Notes will carry an interest rate of 5.8975% p.a. with a Coupon Amount of U.S. \$29.01 payable on August 29, 1997.

By: The Citibank N.A. Bank  
London, Agent Bank

**U.S. \$200,000,000**  
**Bergan Bank A/S**  
(Incorporated in Norway with limited liability)

In accordance with the provisions of the Notes, notice is hereby given that for the six months Interest Period from February 28, 1997 to August 29, 1997 the Notes will carry an interest rate of 5.875% p.a. The interest payable on the relevant interest payment date August 29, 1997 will be U.S. \$29.01 per U.S. \$1,000 nominal of the Notes.

By: The Citibank N.A. Bank  
London, Agent Bank  
February 26, 1997

**Abbi**

**Hedging costs Lasmo £25m**

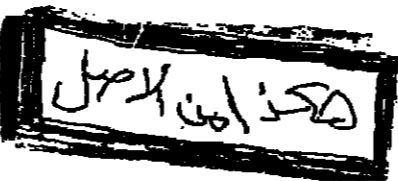
**DUNTON GR**

**Proposed Acquisition of RMS O and change of RMS Commission**

**Proposed Placing and £654,565 New Ordinary Shares by Credit Lyonnais**







FINANCIAL TIMES SURVEY

Friday February 28 1997

# SHEFFIELD

The Sheffield Development Corporation strategy has created 18,000 new jobs and stimulated £638m of private investment in the Lower Don Valley - with the help of £108m of public funds. Ian Hamilton Fazey reports

## An effective example of industrial regeneration

Sheffield is congratulating itself this week, celebrating the winding-up of the Sheffield Development Corporation, its job done. The government-backed, quango, forced on the Labour-controlled city nine years ago, has spent more than £108m of public funds regenerating the Lower Don Valley, home of much of Sheffield's steel, metal processing and manufacturing industry.

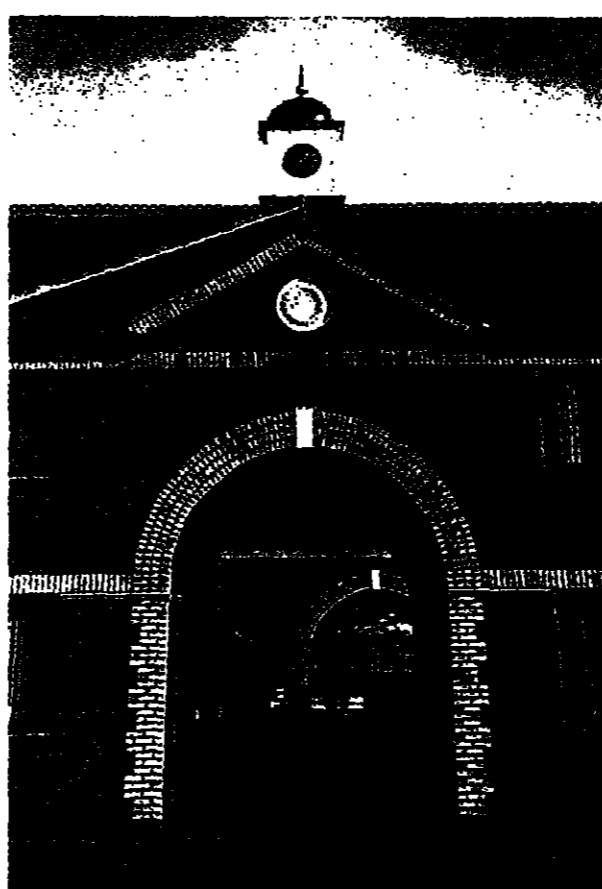
The corporation's regeneration strategy has worked, turning a six-mile swathe of decrepit, contaminated industrial land into a clean and pleasant mixture of new factories and refurbished old ones, busy retail centres, gleaming car showrooms and light and airy, modern offices.

There are 18,000 new jobs, a new airport, and the private sector has invested £638m. By any standards, this has been one of the most effective single pieces of economic and industrial regeneration in the developed world, and must rank with notable achievements such as those at Pittsburgh and Lowell in the US.

As the old saying goes, success has many parents; failure is an orphan. Mem-



Warehouses at Victoria Quays are now offices (above) and the 12 O'Clock Court offices scheme is on the site of a pub with the same name



bers of Parliament and the House of Lords, of all political persuasions, have already claimed their share of the credit in debates to wind up the corporation, a statutory body with its own planning powers. Mr Graham Kendall, the corporation's chief executive, says that throughout the city, those who have not actually done the work have done the next best thing and claimed parenthood.

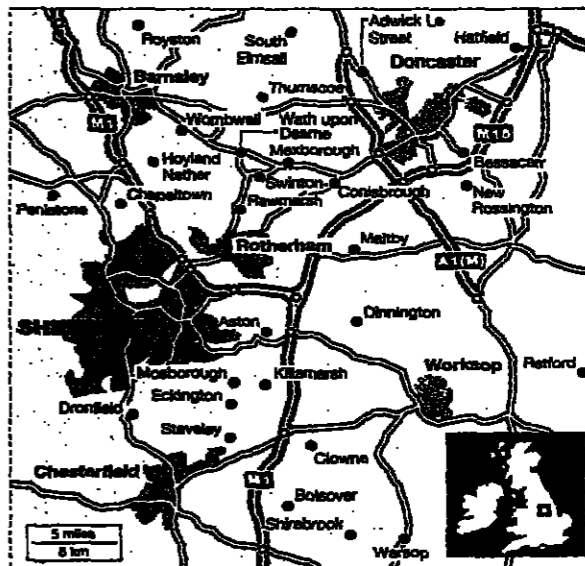
Its origins, however, lie with a team of Coopers & Lybrand consultants brought in a decade ago to advise the city, the government and the private sector on what they should do. The basic strategy was assembly and decontamination of land for development, plus better infrastructure. The government agreed with the plan but did not trust the city council to deliver it, setting up the corporation instead to do the job.

Mr Mike Bower, leader of the city council, says: "To be honest, I wouldn't have trusted us either. We take a citywide view of priorities. Given the way health, education and social services have suffered in the past few years, we would have been very hard pressed not to

have raided some of the money. If you are to sustain regeneration, you need the discipline that comes from a specialised remit."

The city council would also have insisted on some decontaminated land being reserved for manufacturing, rather than given over to retailing. The corporation says the manufacturers would never have come. Moreover, retail developments have uplifted the area, paving the way for office developments that would also never have taken place if nearby sites had remained empty, derelict, or been filled with visually unappealing industry.

This has proved crucial to achieving a better-balanced local economy. Ten years ago, Sheffield was a predominantly blue-collar city with few of the professional and financial services needed to keep better-educated young



people in the area, stabilise the city's white-collar middle class and help to retain local decision-making in industry.

Mr David Hall, chief executive of Firth Rixson - a successor to the old Sheffield metal processing business of Johnson Firth Brown - says: "When the city was dying, we didn't want to know. We would not have stayed if the city had not regenerated. We have six factories in the UK and two in the US. We moved our headquarters to Manchester but returned to Sheffield because we can now be proud of the place."

His own company, a good performer on the London Stock Exchange, typifies some of Sheffield's other changes. It is doing better than ever in its history, but with one-fifth of the labour it employed 20 years ago.

Mr Keith Davie, chief executive of the Sheffield Training and Enterprise Council, says these changes are having a wider social impact than could have been predicted. When steel and metal processing were more labour-intensive, Sheffield's unemployment was lower than the UK average and wages were higher. The reverse is now true.

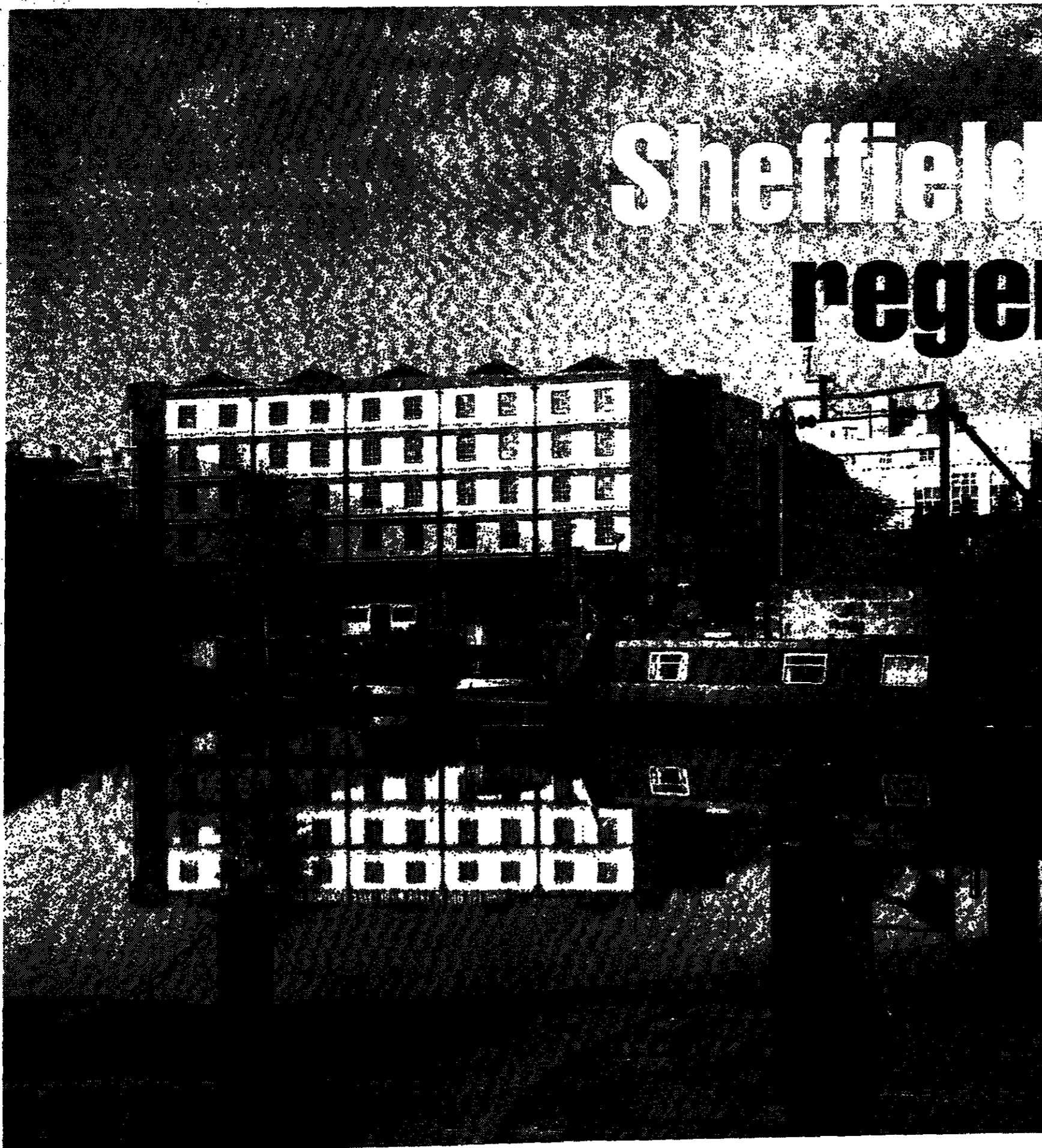
Against this, while unemployment is currently 8.6 per cent compared with UK's 6.7 per cent, it was more than 15 per cent 12 years ago. However, total numbers of jobs in the city have fallen by 3 per cent, while full-time male unemployment has crashed by 31 per cent since 1981. It follows that thousands of the new jobs have been for part-time women workers.

The social impact is worsened by a wide disparity of earnings between those in the service sector's top jobs and the lowest-paid. Mr Bower thinks the city has yet to come to terms with this.

Numbers of high earners are, nevertheless, growing. Broomheads, the well-known Sheffield solicitors, is now an important component of Dibb Lupton Alsop, one of the UK's largest law firms with 1,600 staff and a £100m annual turnover. It has 240 staff in Sheffield, compared with 150 when it was Broomheads.

Regeneration has brought local competition, with Nabarro Nathanson setting up an office employing 230 staff in a new building on the spectacularly reclaimed Victoria Quays, a formerly derelict canal basin eyesore near the city centre.

Irwin Mitchell, another large law firm, has also grown, not least by representing former steelworkers in sickness and injury claims against the successor companies to those which



# Sheffield regeneration



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## II SHEFFIELD

SHEFFIELD CITY AIRPORT • by Ian Hamilton Fazey

## Focus will be on business travellers

Niche markets will be the key to success for this specialised Stol project

Sheffield's dubious distinction of being the largest city in Europe without its own airport will end next month when the new Sheffield City Airport becomes operational, ending years of doubt that it and its aircraft would ever get off the ground.

The airport will be a specialised one, limited to short take-off and landing (Stol) aircraft. This will confine its passenger traffic to 100-seaters, such as the RJ series of four-engine turboprops built by British Aerospace or smaller aircraft, but lack of size is no bar to ambition.

However, this will not entail taking on the neighbouring giant at Manchester, the UK's northern hub, only 35 miles away. Sheffield will be chasing short-haul, time-conscious business travellers. The airport is a mere 10 minutes from Sheffield city centre and only a few hundred metres from the M1 motorway, with two handy exits to feed it.

It may serve niche markets, for example business travellers wanting to get quickly to destinations such as London City Airport - which is of similar size - or Brussels, Paris or Amsterdam. Other niches are business charters, or regular services to difficult-to-reach destinations such as Aberdeen, where many Sheffield manufacturers have customers in the oil business.

Manchester - an hour away because of single-carriageway Peak District roads - or Leeds-Bradford, the wrong side of the West Yorkshire conurbation, or the East Midlands, a similar distance south down the M1, are thought far enough away to give a local Stol airport with a 15-minute check-in time a possibly competitive edge.

"We are trying not to raise public expectations," says Mrs Joanne Rawnsley, the director of administration. "This will not be a bucket-and-spade operation for flights to Majorca. It is going to be a business airport at the high quality end of the market, geared to European business travel."

The question is whether appropriate airlines will take the risk of laying on services. Feeder flights to Schiphol could help fill KLM jumbo jets - saving at least two hours on the journey via Manchester to catch an Amsterdam flight - but there are no commitments

yet from airlines. Mrs Rawnsley says air taxis can also be cost-effective in the business travel market if, say, half a dozen executives need to go to a meeting within 1,000 miles.

Mr Hugh Sykes, chairman of Sheffield Development Corporation, is confident that incoming air taxis and business charters, particularly from northern Europe, will use the airport for day trips to meetings that would otherwise consume two days or more of each executive's time.

He thinks this will help make Sheffield more appealing to potential inward investors.

Last month, three 20-seater helicopters tried out the new airport - even though the air traffic control tower and passenger terminal are



Hugh Sykes: he is confident that general aviation traffic will quickly establish itself

still under construction - bringing in VIPs to celebrate the opening of the latest Rolls-Royce car sales franchise in the nearby Lower Don Valley.

Mr Sykes is also sure that general aviation traffic will quickly establish itself. Surveys of private aircraft based at Gatwick in Nottinghamshire and at Humberside airport, showed significant numbers owned by Sheffield people and companies. Most of these are expected to transfer.

However, Tinsley Park, a property development company which owns the airport, has made sure it has not got all of its eggs in one basket. The company, chaired by Mr David Haxby, a former UK managing partner of Arthur Andersen, and backed by Mr Andrew Sabre and a group of co-investors, has got together with the government-backed English Partnerships to develop a 50-acre business park alongside the runway.

Indeed, the business park's dimensions - its 800,000 sq ft of buildings will be split half-and-half between office-commercial and light industrial uses - pose the question as to whether the £5m development will be an airport with a business park or a

business park with an airport.

Because of its location near the M1, the business park should be marketable anyway: piggy-backing a small airport development on the back of it gives the park an unusual if not unique selling point.

Good security will be another: apart from airports in general being well guarded, the business park's first tenant will be South Yorkshire police, with a 24-hr operational depot for motorway patrol cars and other equipment, as well as the base for the police helicopter.

One reason why the whole scheme may work is that the airport is starting with a clean sheet and deep enough pockets. The development corporation is handing over the site serviced with new road links and debt-free. Moreover, the £2m of funding includes a sinking fund of £850,000 to cover initial losses.

Freedom from debt has been made possible by the way the site was prepared, although the whole scheme nearly foundered when the initial private sector backer went out of business.

The development corporation sold the site - which had for decades been used as a tip by neighbouring industry - for £1 to British Coal. Under the rubbish was a seam of coal, which was then removed using open-cast methods.

Profits from the mining more than paid for the site to be restored, the runway to be built and the ground prepared for the business park, so Tinsley Park could come in with the bulk of downside risk eliminated.

The first light aircraft tried out the runway in December. The fire chief has been recruited from Manchester Airport and has ordered a fire engine. Job applicants are being interviewed. Services should begin within weeks.

Hard-headed Sheffield businessmen who use Manchester regularly - especially those who live in or near the Peak District - are sceptical about the airport's prospects, but all agree that having any sort of airport will be good for Sheffield's image, however limited its services.

The city's name will be in worldwide airport directories and listed in business travel databases. "It extends Sheffield's product," says Mr Sykes.

Having cost little and starting unencumbered with debt, it may well be able to survive financially with only modest traffic levels. Not bad for a rubbish tip that changed hands for £1.

TOWARDS 2000 • by Richard Wolfe

## Ambitious celebration plans

The council has a £100m plan to improve the character of the city centre

The sight of four large steel drums rising over Sheffield's city centre in the next 18 months may seem like just another monument to the city's manufacturing heritage. But the four drums actually represent part of Sheffield's ambitious plans to celebrate its cultural heritage as it approaches the millennium.

The four drums will house the UK's first museum of pop music, and arguably the first museum of its kind in the world. The National Centre for Popular Music, built in the heart of Sheffield's cultural industries quarter - the home to dozens of small media businesses, including music and film companies - is designed to be a mixture of the arts and education.

Using interactive displays with audio-visual and CD-Rom technology, the centre aims to tell the story of the development of popular music across the world over the past 50 years.

Mr Stuart Rogers, chief executive of the centre, said: "Popular music is an art form and should be recognised as one. We also believe that popular music has had the most significant cultural impact on the world of any art form over the past 40 to 50 years."

The £15m centre, due to open in the summer of 1998, has already won National Lottery funding, via the Arts Council, worth £11m. Although Sheffield is proud



Stuart Rogers (centre), chief executive of the National Centre for Popular Music, reviews a model of the centre with (left) Pulp drummer Nick Banks and Pulp guitarist Russell Senior

of its success in pop music - producing artists such as Pulp, The Human League and Joe Cocker - the centre's organisers are keen to avoid a UK or US bias.

By presenting a wider history of music, they hope to attract 500,000 visitors a year with high-tech exhibitions including what is claimed to be the world's first audio-visual "three dimensional" or surround sound. But the music centre is only part of substantial regeneration plans in Sheffield ahead of the millennium, based around the city's leisure industries.

The city's flagship project aims to re-shape the face of the central core around the town hall over the next five years. Sheffield council plans a £100m project to improve the character of the city centre, and develop space vacated by its own shrinking workforce.

The millennium project, which is due to begin this spring, will involve re-model-

ling the central Peace Gardens and building new offices for council staff. The council plans to demolish its ugly mid-1970s extension, popularly known as "the egg box", and build a five-star hotel with 210 bedrooms in its place.

Sheffield has drawn up a £39m construction package which includes a new Millennium Gallery. The gallery will house a satellite collection from London's Victoria and Albert Museum, as well as a local collection celebrating steel crafts.

In addition, the council plans to build a Winter Garden, or covered walkway, linking Peace Gardens with Tudor Square. The Millennium Commission has agreed in principle to the plans, and has already granted £2.95m for work on Peace Gardens.

The city's aim is to create a city centre which will attract visitors at all times of the day, and highlight its historic buildings by banish-

ing cars near the town hall. Mr Narendra Bajarla, chief planning officer at Sheffield council, said: "We want to create new spaces which are used not only in the summer months but also in winter and in the evenings. We also want to bring out all the historical buildings and light them up, so that people can see their local heritage."

Peace Gardens, which is likely to be renamed, is expected to become a centre for outdoor music, with an international buskers' festival planned this year. But the key to the project's chances of success is encouraging cafes and restaurants into the area. The Winter Garden project is central to this, with the aim of luring visitors to the Crucible or Lyceum theatres to stay in the city centre rather than leaving immediately after performances.

However, Sheffield is just as keen to attract people into the city centre during working hours, particularly

because the council's staff has sharply declined from 34,000 to 19,000 over the past five years. Part of the site of the demolished "egg box" will be used to build a 250,000 sq ft office complex designed to attract a large financial or professional services company.

"What we are trying to do is to create an identity," said Mr Bajarla. "People arrive at the rail station now and ask where the city centre is. We are also concerned about the lack of investment in the city centre and want to create a suitable site for the corporate headquarters of an inward investor."

Meanwhile, Sheffield is further building on the legacy of the World Student Games in 1991. Using National Lottery funds, the city is about to begin construction of a £15m National Ice Centre close to Sheffield Arena. The ice centre has already won £12.5m of Lottery cash via the Sports Council to construct two rinks, in what is billed as Europe's best ice facility. The organisers hope to stage international skating events for the first time in the UK. But they also want to transform the general image of ice rinks when the centre opens in two years' time.

Mr Steve Bralley, chief executive of Sheffield International Venues, which took over the student games buildings, said: "We are trying to turn the image of an ice rink from a pretty run-down place into somewhere you might go to for a night out. We want to take it out of the era when you have to sit in your overcoat drinking a lukewarm cup of tea, and build something world class."

NEW INDUSTRIES • by Richard Wolfe

## Strong and fast-growing collection

Newcomers are specialising in environmental, high-tech and media businesses

The Sanderson Electronics name may be known to football supporters across the country, but few have any idea what the Sheffield-based company sells or who its customers are.

With its prominent advertising on the football shirts of both Sheffield Wednesday and Southampton, Sanderson Electronics is in the strange position of commanding both national recognition and widespread ignorance.

The ignorance is partly the result of Sanderson's concentration on highly specialised software services for corporate customers. Its football advertising is not so much aimed at the general public but is used as a talking point when approaching new corporate clients. Nevertheless, the football shirts also signal its ambitious plans to join the premier league of international software companies.

Sanderson, launched in Sheffield in 1983 as the computer arm of an engineering business, now has a total workforce of about 1,000 in the UK, Pacific Rim and the US. It plans to maintain its growth by lifting earnings by 15 per cent year-on-year, particularly through acquisitions and expansion in the US.

Pre-tax profits rose 17 per cent from £5.3m to £5.3m on sales up from £57.8m to £61.4m last year. Sanderson's leading product is in the niche market of application software, sold to individual companies - whether in manufacturing or services - to run their IT systems. By selling and developing the software package at the heart of a company's computer operations, Sanderson is also

able to supply its customers with hardware and networks. Its specialist sectors include legal practices, local government, food processors and mail order companies.

The formula has led to long relationships with its customers. Three clients have been on board since its launch 14 years ago, and Sanderson believes it can hold on to its customer base for up to 20 years. Such longevity gives it solid financial foundations too, because a third of its sales are from annual licensing fees which run from year to year.

Mr Christopher Winn, chief executive, said: "One of the good things about application software is that it is highly specialised. In something like mail order software, the total value of the market in the UK is probably around £8m, and we have £2.5m of that. In terms of the IT industry it may be small, but we dominate this niche."

Sanderson typifies the new industries which have given Sheffield a strong and fast-growing collection of high-tech and media businesses.

At the retail end of the market, Gremlin Interactive has built a solid reputation in the highly competitive world of games software - for PCs and dedicated games machines such as Sony's PlayStation. Over the past five years, pre-tax profits have grown from £114,000 to £2.9m on sales up from £2.5m to £11.5m last year. Gremlin's growth - its staff has risen from 40 to 180 over the same period - owes much to its use of "motion capture" systems. These reproduce physical movements to generate "real life" action in games such as its football simulation, Actua Soccer. The company is now working with Motion Analysis Corporation of California to capture facial movements for a new generation of games.

Mr Philip Hill, finance director, said: "I think the

secret of our success is that we have managed to come out with new creative products but at the same time controlled our costs and production schedules. If you can do both, there is clearly money to be made here."

"But it is the mentality of our designers which is vital. We take on computer science or maths graduates with a creative edge, and we are a company that is keen to succeed. All you need is quality staff working to build quality products, and there is no reason why that should not happen in Sheffield, any more than Los Angeles."

Gremlin, which is privately owned, is still small fry compared to Electronic Arts of the US and Virgin in the UK. But it nevertheless manages to sell two-thirds of its games outside the UK, and is planning further growth in the US with new sports titles based on golf

and tennis.

However, Sheffield's new high-tech industries are not confined to computer-related markets. The city is also developing a niche in using new technologies to clean up the environment.

City Energy is planning to open a £30m tyre-recycling and power plant in 1998 in the Lower Don Valley, using new technology which limits emissions. The project, which has won £1m of EU funds via Sheffield council, uses pyrolysis gas which "cooks" the tyres without using oxygen. It is the first of its kind in the UK.

The plant will distil the tyres into its component gases and oils, selling the oils back to industry and using the gas to generate electricity.

Meanwhile, Response Environmental Services is using technology developed with Sheffield University's

microbiology department to decontaminate land and treat effluent.

Response has already won contracts from Railtrack to clean diesel spillages at stations such as Manchester Piccadilly, by using bacteria which is effective against hydrocarbons in petroleum fuels. It is also winning work from factories which are keen to clean up their effluent and reduce their utility bills.

Mr John Phillips, chairman, said: "It takes quite a long time to get new technologies into established thinking and this is an embryonic science. But there are very few companies in the game, and we focus on technology that gives cost-savings or is driven by new legislation. It is still the case that industry doesn't do anything out of the goodness of its heart for the sake of the environment."

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## CASE STUDY The Lower Don Valley

## New factories are springing up

A remarkable event took place in Sheffield last month: the UK's newest dealership for Rolls-Royce cars opened in the Lower Don Valley. It was remarkable because 10 years ago the valley comprised six miles of dirty, rundown, decrepit industrial estate between Sheffield city centre and the M1.

The valley was one of the most depressing symbols of industrial decline and obsolescence anywhere in Europe. It housed the bulk of Sheffield's steel and metal processing industries. Many of the factories had closed. Most of those remaining looked unpleasant and filthy.

There were acres of old slum housing where steelworkers lived. Many of the houses had strange holes beneath the floors where the occupiers had dug out coal just beneath the surface. When their own supply was exhausted, they borrowed sideways under their neighbours' homes.

Land was poisoned with industrial waste that included heavy metals, PCBs, potassium, sulphur, asbestos and other dangerous chemicals, often capped with as much as 20ft of concrete to build a factory on. When reclamation began on one site and the top layer of contamination was removed, the next layer down burst spontaneously into flames because it contained so much phosphorus.

It followed that most land was worthless, although it had a value in the books of the companies that owned it. But it was impossible for them to develop or sell it because the cost of decontamination would have been more than the land would have fetched.

Yet today this land is worth between £90,000 and £200,000 an acre, depending on whether it is for industrial or office use. It

has been decontaminated and brought up to developable condition. New factories are springing up almost by the month, some in half-coloured brick cladding that would have been blackened in months in the Lower Don Valley of old.

Within half a mile of the new Rolls-Royce dealership are another half-dozen new or refurbished car sales centres. At the M1 end of the valley, on the site once occupied by Hadfield's steelworks, the gigantic Meadowhall Centre last year pulled in more than 30m shoppers, marking six years of 10 per cent annual growth. Meadowhall and its shops employ 6,000 permanent staff, with another 2,000 available during the pre-Christmas shopping rush.

Nearby are new offices for accountancy firms and management consultants. A little way up-river towards Sheffield are modern steel and glass buildings housing substantial financial services operations for Norwich Union and Abbey National. A new call centre for Freemans, the mail order company, will open shortly.

Decrepit factories have gone; slum housing has been demolished, their "coal holes" filled in; dereliction has been eliminated. There is a balanced industrial structure of manufacturing, retail and professional services. New industries of sport and entertainment have been created by the building of the Don Valley Stadium and the indoor Sheffield Arena.

Meanwhile, steel and metal processing companies based in the valley have been cleaning up, re-cladding their buildings to give them a modern look, and brightening them up with well-designed signs and logos.

Where possible, the road infrastructure has been upgraded to dual carriageways; there are

efficient one-way mini-systems in other places, although one historic "canyon" composed of tall redbrick frontages to working factories owned by Sheffield Forgemasters is being cleaned and preserved, crowding the narrow thoroughfare as a reminder of yesteryear.

These improvements have been driven through by the Sheffield Development Corporation which was set up in 1978 to regenerate the valley. However, credit for

company based in the nearby Dearne Valley coal closure area, says the original plan's only important error was to underestimate the amount and costs of decontamination. The basic approach - of buying land and assembling sites from multiple ownership, and then clearing and cleaning it to make it developable by private sector investors with little or no downside risk - has worked.

Originally, Sheffield city council wanted to run the strategy itself but the government refused to fund it without having control. Sheffield Development Corporation was therefore forced on the city and given its own planning powers.

Chaired by Mr Hugh Sykes, a successful locally-based businessman, it has had its ups and downs, including tensions at the top that saw the original management team replaced.

But Mr Sykes and Mr Graham Kendall, a civil servant seconded as chief executive, have run operations for the past six years.

The outcome, however,

## The outcome was in doubt for some time

the original blueprint must go to Mr Mel Burrell who 10 years ago led a team of Coopers & Lybrand consultants, paid for by government, the local authority and the private sector, to work out what should be done.

Mr Burrell, who now heads St Paul's Developments, a private sector regeneration



Reclaiming contaminated land in the Lower Don Valley for new industrial and office business

the line it believes correct and stick to it."

Inevitably, this has meant Mr Sykes has not always enjoyed a happy relationship with some Whitehall officials, some councillors, and some MPs, although the corporation's non-executive board includes Mr Mike Bower, the council leader, and a wide cross-section of private sector and educational representatives to promote consensus.

At the end of the day, the figures tell the tale best. Infrastructure - 15km of new roads - has cost £30m;

land development £36m; and grants to 320 companies nearly £18m. Nearly £5m has been spent on environmental improvements to 236ha while £1.25m has gone to 75 community groups.

With another £21.6m for administration and marketing, £108.6m has been needed, of which £101m came from the government and nearly £7.6m from the European Regional Development Fund.

However, the changes have levered £638m of private sector investment

because the Lower Don Valley is once again a safe place for companies to put their money.

There is more than 5m sq ft of new floorspace. At the same time, about 18,000 jobs have already been created at a cost per job of about £6,000, with another 6,500 new jobs known to be in the pipeline.

In addition to all this, the Lower Don Valley looks good, modern, busy and successful - just the place you might go to buy a new Rolls-Royce.

Ian Hamilton Fazey

## THE SUPERTRAM • by Ian Hamilton Fazey

## Successful at a price

Because it is losing money, the project is set to become an election issue

There is little doubt that Sheffield's Supertram is proving a technical, engineering and passenger-carrying success.

Trams glide impressively over 29km of tracks along three principal transport corridors and the system has greatly enhanced appearances around the Cathedral and the Cutlers' Hall. There are 40 per cent more passengers, week for week, than last year.

There, however, enthusiasm for the system runs into argument and accusations. Among other things, the Supertram is losing money.

The system was built with £240m of public funds by South Yorkshire Passenger Transport Executive and started operating in 1994 on the understanding that debts would be cleared by privatisation. The sale is due to be completed by the end of next month, but no one expects the proceeds to come anywhere near meeting the £87m needed to cover the Supertram's liabilities.

Moreover, some potential operators have proposed paying what would be a negative sum by demanding that operating costs be subsidised by the transport executive for five years to cover losses while the tram establishes its market.

If there is a shortfall from the sale, it will have to be met by the four councils of South Yorkshire via a precept on council taxes imposed by the transport executive. The impact of this would be as much as £140 on every council tax bill. The residents of Barnsley, Rotherham and Doncaster, where the tram does not even run, are understandably even more upset by this prospect than their Sheffield neighbours.

The government has offered the transport executive an extra £20m in credit approvals - in effect meaning taxpayers would service that amount of debt - as well as an option to capitalise some items to reduce current account obligations. However, the four councils

contend that this breaks what they believe was a tacit understanding that the government would bridge any gap between the sale proceeds and the £87m. The government denies any agreement and the Supertram will almost certainly figure nationally in the general election campaign because all four South Yorkshire councils are solidly Labour.

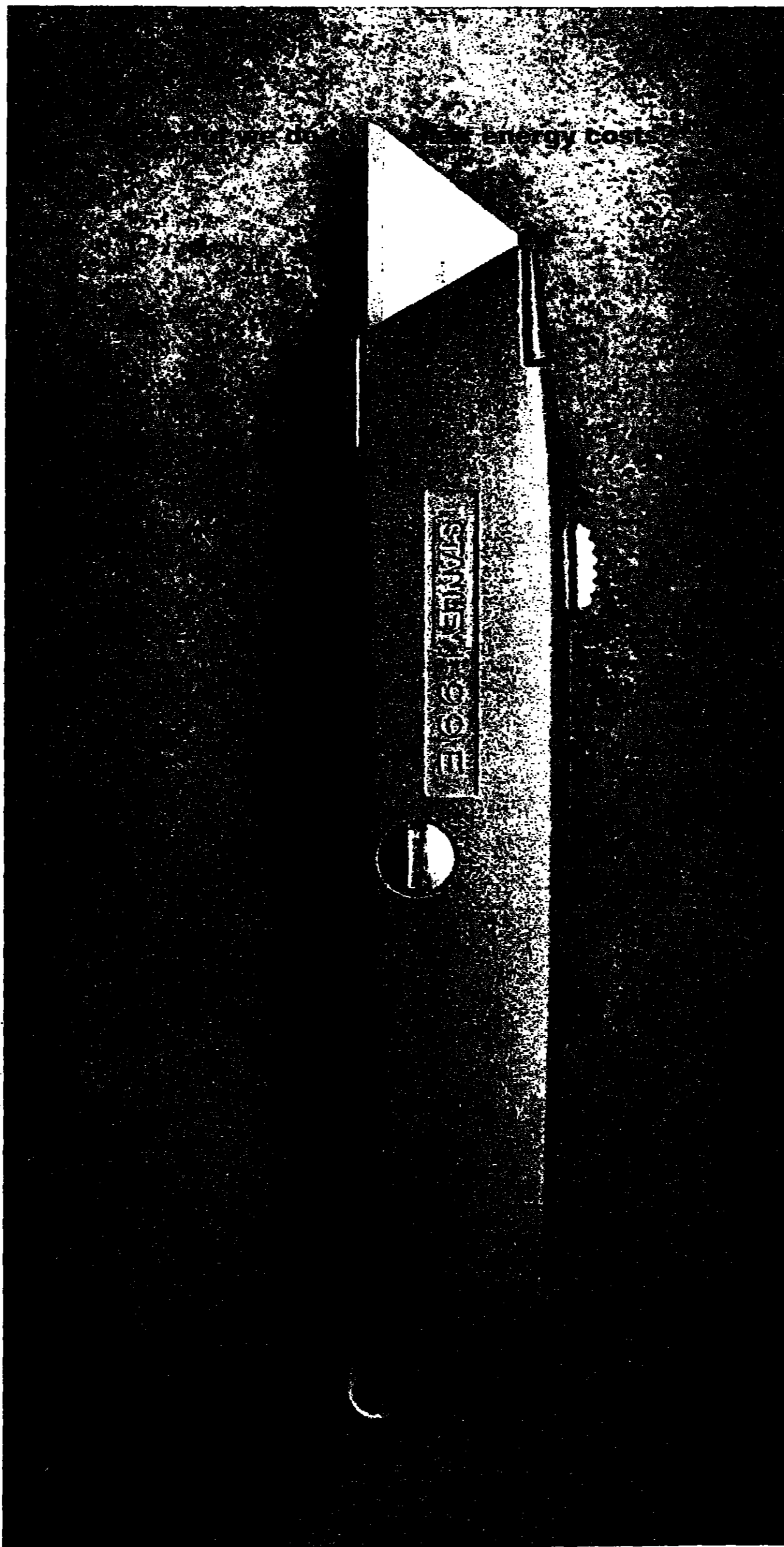
If the tram system were making money, of course, things would be different because a higher price could have been demanded in the privatisation. However, Mr Mike Bower, leader of Sheffield city council, says government transport policy made losses inevitable.

The original plan was for the trams to integrate with publicly controlled bus routes, so that buses and trams would complement each other. Mr Bower says this was scuppered by the government's unforgotten deregulation and privatisation of local bus services, which has resulted in privately-owned bus companies competing with the trams instead of complementing them.

Mr Eric Newman, chairman of the Supertram company, admits that an increase in "ridership" - the term used by all involved to describe the process of making a journey on a tram - has been partly brought about by discounted fares that have not helped profitability, although they have converted many people to future ridership after they have experienced the tram's comfort and speed.

There are echoes here of the Sheffield Arena, the Don Valley Stadium and the Ponds Forge International Swimming Pool, built by the city council for the 1991 World Student Games from controversial borrowings. The Games were a damaging, loss-making fiasco, but the capital assets remain to Sheffield's credit and have brought longer-term economic benefits that could not have been forecast at the time.

Many believe the Supertram will almost certainly be seen one day as similarly essential infrastructure for a modern European city - but not before it has played its part as a general election issue.



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### Offshore Insurances and Other Funds

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### AIM - Cont

1. 姓名: 王德明  
 2. 性别: 男  
 3. 年龄: 45  
 4. 籍贯: 山东烟台  
 5. 民族: 汉族  
 6. 职业: 教师  
 7. 学历: 本科  
 8. 婚姻状况: 已婚  
 9. 健康状况: 良好  
 10. 兴趣爱好: 阅读、运动  
 11. 特长: 写作、演讲  
 12. 座右铭: 天道酬勤  
 13. 自我评价: 为人正直, 工作认真负责  
 14. 社会评价: 同事关系融洽, 学生尊敬  
 15. 未来规划: 继续深造, 提升教学水平

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Stock	High	Low	Open	Close	Change	Volume	Market
Anglo American	14 1/2	14 1/4	14 1/4	14 1/4	0	100	14 1/4
Anglo Coal	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Gold	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Platinum	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Silver	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Zinc	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Iron	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Steel	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Cement	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Paper	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Textiles	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Chemicals	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Pharmaceuticals	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Electronics	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Telecommunications	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Energy	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Transport	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Services	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Real Estate	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Insurance	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Finance	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Media	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Entertainment	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Technology	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Healthcare	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Education	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Environmental	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Aerospace	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Defense	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Space	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Nuclear	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Biotechnology	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Agriculture	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Forestry	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Fishing	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Mining	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Manufacturing	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Retail	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Wholesale	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Distribution	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Logistics	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Transportation	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Infrastructure	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4
Anglo Utilities	10 1/2	10 1/4	10 1/4	10 1/4	0	100	10 1/4

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Reports will be sent the next working day,  
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# Buy programmes give a lift to UK equities

## MARKET REPORT

By Steve Thompson,  
UK Stock Market Editor

London's stock market, which had braced itself for the aftermath of an expected storm on Wall Street overnight, gathered itself after a soft opening and closed in reasonably good heart.

Wall Street's panic response on Wednesday to Mr Alan Greenspan's testimony to Congress, in which he repeated his warning about the doubtful sustainability of the recent rise in US equities, had seen the Dow Jones Industrial Average slide more than 100 points, before rallying

strongly to close 55 points lower. More worrying for global markets was the two point fall in US Treasury bonds, prompted by Mr Greenspan's warning about the potential for a pre-emptive increase in interest rates to head off inflationary pressures.

With little or no evidence of any substantial selling by the big institutions, however, the FTSE 100 index delivered a comforting performance to close 9.9 higher at 4,339.2. That left the index within striking distance of its all-time intra-day record of 4,362.4.

The FTSE 250, meanwhile nudged ahead, finishing 2.3 firmer at 4,863.0, only around 13 points off its intra-day record,

while the SmallCap made a number of attempts to penetrate its all-time intra-day and closing highs and eventually ended 2.9 up at 2,556.2.

Helping to bolster London, as well as other European markets, was a further recovery by Wall Street yesterday. The Dow regained virtually all of an early 35 point retreat which had been prompted by some stronger-than-expected US economic news. Treasury bonds were also looking steady, trading around a half-point better as Wall Street kicked off.

Another powerful reason for the good closing performance by London was evidence of two

trading programmes, one small to medium-sized but the other of substantial proportions, and both said to have been weighted on the buy side.

The bigger of the two programmes included a block of over 7m Vodafone shares, 4.8m Prudential, 3m P & O, 3.2m Grand Met and 1.5m BAT, as well as big blocks in other leading stocks.

"It became quite clear during the day that the big funds were not interested in selling the market in any sort of size," said one marketmaker. He said the large amounts of cash washing around the market, plus a general shortage of good quality stock, meant that the institutions would

always be keen to snap up any stock coming on offer.

He also pointed out that the market was anticipating further takeover action in the short to medium term.

The expected trouncing of the Conservative Party in the Wirral South by-election, where Labour was confidently forecast to overturn an 8,000 majority in yesterday's poll, was viewed as a foregone conclusion, and had little or no impact on the market, dealers said.

Turnover, lifted by the programme trading, reached 800.8m by the 6pm cut-off point. Customer business on Tuesday was valued at £2.35bn.



Indices and ratios					
FTSE 100	4339.2	+9.9	FT 30	2870.8	+6.8
FTSE 250	4863.0	+2.3	FTSE Non-Fin p/e	18.65	18.46
FTSE 350	2146.9	+4.1	FTSE 100 P/E Mar	4390.0	+10.0
FTSE All-Share	2119.74	+3.9	10 yr Gilt yield	7.17	7.24
FTSE All-Share yield	3.54	3.54	Long gilts/yield ratio	2.06	2.10

Best performing sectors					
1 Insurance	+1.5				
2 Electronics & Elect	+1.2				
3 Oil Exploration	+1.1				
4 Gas Distribution	+1.0				
5 Pharmaceuticals	+0.8				

## FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFE) £25 per full index point (AFT)					
Mar	4330.0	4330.0	+10.0	4332.0	4313.0
Apr	4340.0	4350.0	+9.5	4345.0	4335.0
May	4370.0	4370.0	0	4370.0	4370.0

FTSE 250 INDEX FUTURES (LIFE) £10 per full index point					
Mar	4850.0	4850.0	+2.0	4850.0	4850.0

FTSE 100 INDEX OPTION (LIFE) £100 per full index point					
Call	4150	4200	4250	4300	4350
Put	4400	4450	4500	4550	4600

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## Reckitt bid talk fades

By Lisa Wood, Joel Kibazo  
and Steve Thompson

Reckitt & Colman was one of the biggest casualties in the FTSE 100, falling 1.7% to 807.4p as the market lost patience with speculation that it could be a possible bid target of Unilever, the Anglo-Dutch group which is selling its four speciality chemicals businesses.

One analyst said the bid speculation had been overplayed. He said Unilever and Reckitt had similar brands - such as Unilever's Domestos disinfectant and Reckitt's Harpic and Lysol and it was unlikely Unilever wanted to acquire similar ones to its own. It could also face competition problems.

He also believed Reckitt's insecticides businesses in emerging markets were not an easy fit into Unilever's consumer products activities. Unilever, it is said, wants to acquire businesses that could increase its exposure to emerging markets.

Unilever, which slipped 6% to 1,636.

**JAPAN (Feb 27 / Yen)**

## US INDICES

## NORTH AMERICA

## CANADA

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**NOTES** - Prices on this page are as listed on the individual exchanges and are mostly last traded prices. \* Calendar Year High and Low \* Dealings suspended, or Er (errated) or Ec (early close), or Ex (rights), or Ex alt., or P (aced in US \$).

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**■ TOKYO - MOST ACTIVE STOCKS:** Thursday, February 27, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui M & Smi .....	10.2m	482	-5	Nippon Steel Co .....	3.2m	328	
Daewoo-En Kemico .....	5.7m	6	+3	Honda Motor .....	3.8m	3750	+100
Toshiba Corp .....	4.2m	667	-1	Fuji Heavy Inds .....	3.3m	567	+4
77 Bank .....	4.1m	984	-5	Kyokura .....	3.3m	48	
Bank of Korea .....	4.0m	560	+2	Hanwa .....	3.1m	324	+20

1. *Chlorophyll a* (Chl *a*)

$$\begin{aligned} & \text{where } \mathbf{A} = \begin{bmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{bmatrix}, \mathbf{B} = \begin{bmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{bmatrix}, \mathbf{C} = \begin{bmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{bmatrix}, \mathbf{D} = \begin{bmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{bmatrix} \\ & \text{and } \mathbf{E} = \begin{bmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{bmatrix} \end{aligned}$$

## NEW YORK STOCK EXCHANGE PRICES

**4 pm close February 27**

[illegible]


Figure 1. A scatter plot showing the relationship between the number of days of exposure to the sun and the number of days of exposure to the sun. The x-axis is labeled 'Days of exposure to the sun' and ranges from 0 to 10. The y-axis is labeled 'Days of exposure to the sun' and ranges from 0 to 10. The data points are scattered, with a general trend of increasing y-value as x-value increases.

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**NASDAQ NATIONAL MARKET**[illegible][illegible]

-12	Instructor	34	114	92 <sub>3</sub>	84 <sub>4</sub>	94 <sub>4</sub>	-12
+12	Instructor	589	37 <sub>4</sub>	3	31 <sub>2</sub>	+12	

**- P - Q -**

Pecar x	1.00	12	1989	88	63 <sub>2</sub>	68 <sub>3</sub>	-2 <sub>3</sub>
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254	33%	82%	8%	-1/2	
255	33%	82%	8%	-1/2	
256	33%	82%	8%	-1/2	
257	33%	82%	8%	-1/2	
258	33%	82%	8%	-1/2	
259	33%	82%	8%	-1/2	
260	33%	82%	8%	-1/2	
261	33%	82%	8%	-1/2	
262	33%	82%	8%	-1/2	
263	33%	82%	8%	-1/2	
264	33%	82%	8%	-1/2	
265	33%	82%	8%	-1/2	
266	33%	82%	8%	-1/2	
267	33%	82%	8%	-1/2	
268	33%	82%	8%	-1/2	
269	33%	82%	8%	-1/2	
270	33%	82%	8%	-1/2	
271	33%	82%	8%	-1/2	
272	33%	82%	8%	-1/2	
273	33%	82%	8%	-1/2	
274	33%	82%	8%	-1/2	
275	33%	82%	8%	-1/2	
276	33%	82%	8%	-1/2	
277	33%	82%	8%	-1/2	
278	33%	82%	8%	-1/2	
279	33%	82%	8%	-1/2	
280	33%	82%	8%	-1/2	
281	33%	82%	8%	-1/2	
282	33%	82%	8%	-1/2	
283	33%	82%	8%	-1/2	
284	33%	82%	8%	-1/2	
285	33%	82%	8%	-1/2	
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339	33%	82%	8%	-1/2	
340	33%	82%	8%	-1/2	
341	33%	82%	8%	-1/2	
342	33%	82%	8%	-1/2	
343	33%	82%	8%	-1/2	
344	33%	82%	8%	-1/2	

US State		80	2%	3%	2%
US Fed	0.60	24	657	47%	47%
US Dist	0.32	12	11	21%	24%
US Corp	0.08	12	729	21%	17%
US Govt	0.00	20	5	52	32
US Total		70	4%	4%	4%

Wangyi Liu	0.40	25	42%	49%	44%
Wangyi Liu	0.33	53	523	14%	14%
Wangyi Liu	0.36	5	89	19	21%
Wangyi Liu		27	1040	21	21%
Wangyi Liu		27	104	16%	16%
Wangyi Liu		27	717	11	11%
Wangyi Liu		22	582	15	14%
Wangyi Liu		36	1019	10	10%
Wangyi Liu	0.50	43	26	24%	24%

Wangyi Liu		2804	22%	21%	22%
Wangyi Liu		29	485	94	94%
Wangyi Liu	1.00	10	5850	54	54%
Wangyi Liu	1.00	10	5850	54	54%
Wangyi Liu	1.00	10	5850	54	54%
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Wangyi Liu	1.00	10	5850	54	54%
Wangyi Liu	1.00	10	5850	54	54%
Wangyi Liu	1.00	10	585		

[illegible]

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Arctech Systems	US\$10.875	+0.125	48.000	11.375	9.375	Motor Infarrest.	US\$10.25		1000	11.375	10.25
Dr Solomon's ADS	US\$24.875	-0.125	1000	28.125	16.625	Patch	US\$5.25		1000	6.25	4.75

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